



Order Execution Policy

1. Introduction

On 1 November 2007 a new European Directive called the Markets in Financial Instruments Directive (MiFID) came into effect. MiFID is part of the European Union's Financial Services Action Plan that aims to help integrate Europe's financial markets. In the UK, the *Financial Services Authority (FSA)* was required to modify some of its rules affecting firms. One of those rules requires Heartwood to put in place an "order execution" policy and provide information about that policy to you as a client.

2. Why have a policy?

Under the rules Heartwood is required to take all reasonable steps to obtain the best possible result, or "best execution", when carrying out sales or purchases of securities for clients. The best possible result is determined in terms of total cost, taking into account not only the price of the financial instrument but also all expenses incurred by the client which are directly related to the execution of the order. This policy sets out how we aim to achieve the best possible result.

3. Executing orders

Subject to any specific instructions that you may give, we will take all reasonable steps to obtain the best possible result, taking into account the factors listed in section 4. below. We will determine the relative importance of each of these factors by using our commercial judgement and experience in light of market information available and by taking into account the execution criteria described in section 5. below.

To ensure that the execution of sales and purchases for clients is fair, comparable orders are dealt with in the order that they are received by our dealing team. Some orders may be aggregated where we have reasonable grounds to believe that this will work to the advantage of each of the clients concerned, for example by achieving a more advantageous price through benefits of scale, or by achieving processing efficiencies at no disadvantage to clients. We will not aggregate orders if we consider that this is likely to disadvantage a client although the effect of aggregation may work on some occasions to your disadvantage. If we aggregate an order, the subsequent allocation will not give unfair preference to any client for whom we have dealt.

4. Factors affecting execution

When executing an order we will take into account the following factors:

- price;
- costs;
- speed;
- likelihood of execution and settlement;
- size and nature of the order;

- market impact; and
- any other consideration relevant to the execution of the order.

To ensure that we obtain the best possible result for you, the main factors that we will take into consideration are the price of the financial instrument and the costs incurred by you. However, in some circumstances, for some orders, we may give precedence to other factors but only insofar as they are expected to be instrumental in delivering the best possible result to you.

5. Execution Criteria

To assist us in determining the relative importance of each of the factors described above we will consider the characteristics of the following criteria:

- the client (e.g. retail or professional clients);
- the order;
- the financial instruments that are the subject of that order; and
- the execution venue to which an order can be directed.

6. Execution Venues

An execution venue is a firm or entity to who we direct buy or sell orders for conclusion, for example, a market maker. A list of the execution venues that we use in respect of each class of financial instrument can be found in section 12. below.

This list is not exhaustive but includes those venues on which we place significant reliance in meeting our obligation to obtain, consistently, the best possible execution result. We may use other execution venues or intermediaries e.g. stockbrokers where we deem it appropriate in accordance with this policy.

We will regularly assess the execution venues available for any financial instruments that we trade to identify those that will enable us, consistently, to obtain the best possible results. We may add or remove execution venues from the list following such assessment. We will not notify you specifically of any changes to the list of execution venues but a current list is available on request and can be found on our website www.heartwoodwealth.com

7. Selecting an execution venue

Subject to any specific instructions that may be given by you, we will select the execution venue that we consider the most appropriate taking into account the factors affecting execution and the execution criteria detailed above.

Where there is more than one execution venue that would be appropriate, we will take into consideration our own

commissions and costs for executing the order on each of the eligible execution venues.

When transactions are carried out on, and reported to, a regulated exchange, for example the London Stock Exchange, they are considered to be "on-market". Certain transactions (for example most bond transactions) cannot be conducted on-market and where this is the case we will continue to operate on your behalf "off-market". However, transactions that are carried out off-market even though they *could* be carried out on-market require your express consent. In some circumstances we may choose to carry out transactions off-market because we believe it is in your interests to do so. **By signing our terms of business, you expressly consent to us carrying out off-market transactions on your behalf.**

Heartwood will only act as the execution venue where we believe that it is in the best interests of clients to do so, for example, where Heartwood matches a purchase transaction for one client with a sale transaction from another, rather than going through another execution venue.

8. Specific client instructions

Where you give us a specific instruction as to the execution of an order, for example, asking us to deal through a particular broker or at a specific price, we will execute it in accordance with that instruction. Where the instruction relates to only part of the order, we will apply our order execution policy to the parts of the order not covered by your specific instructions.

You should be aware that providing specific instructions may prevent us from taking the steps set out in our order execution policy to obtain the best possible result for those elements covered by those instructions.

9. Requesting a limit order

A limit order is when you instruct us to buy or sell a specific amount or number of shares in an investment at a specified price or better. When a limit order, which would usually be placed on a regulated market, can not be immediately executed under prevailing market conditions, we are required to make that limit order public unless you instruct us not to. However, if we are required to make a limit order public we will be restricted to using only those venues who can/will make that limit order public on our behalf and these may not be the venues who can give us best execution as described in our order execution policy. We therefore believe that it is in your best interests to give us discretion to use our expertise and professional judgement to decide the most appropriate course of action for any particular limit order. Therefore, **by signing our terms of business you give us your consent to decide whether or not it is in your interest to publicise a limit order.**

10. Purchase of research

Original research is a valued source material for Heartwood's investment strategy groups and investment managers. Research may encompass written reports, telephone contact, meetings with analysts and/or access to companies.

Heartwood receives research from a number of sources to whom we pay a fee which is met by our own resources.

These sources include services such as Bloomberg, Lipper, Bank Credit Analysis (BCA), Consensus Economics, Estates Gazette and Factset.

Where research is received from a securities broker, Heartwood does not pay separately for this. Some brokers may specify a minimum amount of business per annum for the continued provision of research. We monitor these limits and will meet them where we believe that this does not contravene our order execution obligations to clients.

11. Monitoring and review

We will review our order execution policy annually, or whenever a material change occurs that affects our ability to obtain the best possible result for the execution of your orders consistently, using the execution venues included in the appendix to the order execution policy.

We will also monitor the effectiveness of our order execution policy regularly to identify and, where appropriate, correct any deficiencies.

We will notify you of any material changes to our order execution arrangements or order execution policy.

12. List of Execution Venues

This is a list of execution venues on which Heartwood places significant reliance in meeting its obligation to obtain, on a consistent basis, the best possible execution result for our clients. This list may be subject to change, we will not notify you specifically of any changes but a current list is available on request and can be found on our website www.heartwoodwealth.com

Financial instrument UK Equities

Execution Venue

Winterflood Securities
A J Bell
Merrill Lynch
Cazenove
Sanford Bernstein
Collins Stewart
Susquehanna International
Knight Capital
Pictet & Cie

Fixed Income

Winterflood Securities
A J Bell
Cazenove
Collins Stewart
Royal Bank of Canada
Royal Bank of Scotland
Barclays
Pictet & Cie
TRADEWEB

Overseas Equity

A J Bell
Sanford Bernstein
Susquehanna International
Pictet & Cie

Open Ended Funds

A J Bell
External Fund Managers
Heartwood Wealth Management
Pictet & Cie

Hedge/Property Funds

Hedge/Property Fund Managers
Heartwood Wealth Management
Pictet & Cie