



## **WAY Fund Managers**

### **Level One Disclosure Policy**

WAY Fund Managers Limited operates as an independent Authorised Corporate Director (ACD) for UK Regulated funds. WAY Fund Managers (WFM) business is focused on ensuring good customer outcomes through a comprehensive oversight programme that monitors all aspects of WFM funds, including outsourced service providers. WFM continually monitors each fund's investment manager to ensure they adhere to the fund's objectives and policies and that an appropriate level of risk is maintained at all times.

WFM is required to provide a Level One Disclosure Policy to outline its policies and procedures relating to its broker relationships and commission arrangements.

The Level One Disclosure Policy is a requirement under the jointly issued Investment Association (IA) and Depositary and Trustee Association (DATA) Collective Investment Schemes (CIS) Disclosure Code, with the aim of providing transparency and accountability on how investment managers' decisions regarding brokers trading venues, trading volumes, commissions for research and execution are all determined.

As part of this policy, WFM is required to disclose information regarding its policies, processes and procedures in relation to the management of costs incurred on behalf of clients.

WFM is required to establish and implement effective arrangements for complying with its obligation to take all reasonable steps to obtain the best possible outcome when placing and executing orders, subject to its Execution Policy.

#### **Execution venues and methods of trading**

WFM is obliged to provide best execution to all its clients in a fair manner. The obligation to provide best execution applies to all financial instruments. However, not all financial instruments are the same and so, when applying procedures in order to achieve best execution, the different circumstances associated with the execution of orders is accounted for when related to particular types of financial instruments.

### **Execution factors**

WFM takes all reasonable steps to obtain the best possible result when orders to buy or sell are transmitted for execution. Most orders are placed by the delegate investment manager WFM has appointed to manage the Funds on their behalf; a small number of orders are placed by WFM on behalf of its delegated managers with a broker chosen from an approved list which is available on request. WFM and its delegated managers are responsible for ensuring best execution. They consider the size and nature of the order as well as the characteristics of the financial instrument. In general, price is regarded as the most important factor for obtaining the best result. However, other factors may on occasion be more important, for example:

- costs payable by the client;
- size and nature of the order;
- the liquidity of the market;
- the speed of execution and settlement;
- the likelihood that the order will be executed and settled.

In considering how the best result may be obtained, the managers and brokers will use their own commercial experience and judgement.

### **Execution venues**

An execution venue means a regulated market (such as the London Stock Exchange), a multilateral trading facility (MTF), a market maker or other liquidity provider or an entity that performs a similar function in another country. A MTF is a system (such as the Alternative Investment Market), operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in a way that results in a contract. Generally, orders are placed with a broker who in turn, will execute most orders on either a regulated market or MTF. In some instances, in order to obtain the best result, transactions may be arranged outside Regulated Markets or Multilateral Trading Facilities. For certain financial instruments, there may only be one execution venue, and in executing an order in such circumstances, WFM shall be entitled to presume that WFM has met their best execution obligation.

### **Specific client instructions**

Whenever there is a specific instruction from the client in relation to the order, WFM will execute the order following the specific instruction and in doing so will have fulfilled its best execution obligation to the client. Where the client's instructions relate to specific aspects of the order, WFM will operate in accordance with its Execution Policy in respect of those aspects of the order not covered by a specific client instruction. WFM should acknowledge that any specific instructions may prevent it from taking the steps that WFM have designed and implemented in its policy to obtain the best possible result.

## **Trading methods**

WFM will consider on a transaction-by-transaction basis all relevant factors (price, costs, speed and likelihood of execution and settlement, size and nature of order) when choosing both an execution venue and the method of trading that will be most appropriate for its clients' best interests at that time. When trading with the brokers WFM will be categorised as Agent. Dealing with brokers may incur greater commission costs but provide a more flexible environment to minimise the opportunity costs of trading.

## **Broker selection**

When instructing its brokers, WFM will, in the majority of cases, trade on the primary exchange where a security is listed. WFM may use other markets, if doing so helps WFM to obtain the best possible result. To help WFM achieve the best possible result for its clients, WFM has assembled an appropriate list of approved brokers for the provision of execution services.

All delegated Investment Managers are responsible for the selection of their own brokers. This process is reviewed as part of WFM ongoing oversight program.

## **Process of the selection of brokers**

WFM will request that a new broker is added to the approved list if it is perceived that the relationship will be advantageous to its clients/funds. This benefit may be in terms of access to company information and investment ideas and/or due to the company's superior execution in smaller or less liquid instruments. The broker's reputation is often a key criterion as is the experience of its analysts and salespeople. This request requires the agreement of the Risk & Outsource Committee who meet monthly prior and would sign off any new relationships prior to adding to the approved broker list. This process is aligned with WFM's Execution Policy (a summary of which can be found on WFM's website). All delegated Investment Managers Execution Policies can be found on their individual websites. Once a broker has been selected for approval by WFM, their terms of business and latest financial statements are reviewed to ensure that WFM will receive the appropriate protections. The review will also include a credit analysis of the company and a due diligence review of their regulatory and operational Framework. This is then presented to the Risk & Outsource Committee for approval.

## **Broker Review**

The WFM approved brokers are reviewed on at least an annual basis. This review will also include a credit analysis of the company and a full review of their regulatory and operational Framework.

All delegated Investment Managers are responsible for the on going review of their own broker lists. This process is reviewed as part of WFM's ongoing oversight program.

## **Variations in Rates of Commission**

Commission payments are reviewed by the Managing Director – Oversight on an ongoing basis as per the Broker Review process. The overall level of commission is also reviewed to consider whether the commission rate is correct or whether it needs to be reduced or raised on at least an annual basis. When WFM brokers are used for execution only, 100% of the commission will be for execution purposes.

### **Commission recapture**

WFM does not take part in any commission recapture programmes.

### **Commission sharing arrangements**

WFM does not take part in any commission sharing arrangements.

### **Dealing efficiency monitoring**

WFM's Compliance department carries out sample checking on a regular basis to ensure that WFM has adhered to the principles of best execution. The monitoring programme also reviews the number of failed trades to determine if there are deficiencies within an approved broker's processes. The Risk & Outsource Committee also monitors the execution and failed trade reports of each approved broker as part of its annual review to assess whether their selection remains appropriate.

### **Conflicts of interest**

WFM is responsible for ensuring that its systems, controls and procedures are robust and adequate to identify and manage any conflicts of interest that may arise. In general, WFM arranges its business to minimise the potential for such conflicts of interest and where they do arise it manages such conflicts to ensure that its own interests are never put ahead of those of its clients, and that one group of clients is not treated more favourably than another.

WFM has established procedures which are designed to identify on an on-going basis any conflicts of interest that may arise. Rigorous controls and procedures are implemented to ensure that the interests of the client are never compromised. The WFM Conflicts of Interest Policy details the types of conflict that may arise and how they are managed should they occur. This process is overseen by the WFM Risk & Compliance Department. If the arrangements made to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, WFM will clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business for that client. The policy is reviewed on a regular basis to ensure it remains up to date and the control environment remains appropriate. The WFM Risk and Compliance Department undertakes monitoring to provide assurance to the Board, Senior Management and external stakeholders (e.g. Clients, Financial Conduct Authority) that regulatory risks are being effectively assessed and managed and this is an essential part of the control and governance framework within WFM. This monitoring enables WFM to observe and test the effectiveness of its internal controls and measures taken to mitigate risks of non-compliance with regulatory requirements.

### **Types of Research Documentation**

WFM does not receive research from any of its Brokers. WFM has an execution only relationship with all its approved Brokers.

## **Derivatives**

WFM's use of derivatives is managed in line with the fund prospectus and relevant regulatory restrictions. The majority of WFM's derivatives activity relates to efficient portfolio management purpose with some trades carried out for investment purposes.

The main types of derivative contracts traded by WFM are outlined below:

- An option gives the buyer the right but not the obligation to perform a specified transaction with the other party to the contract. The future payoffs relating to an option are determined by the price of the underlying asset, index or security. A "call" option gives the investor the right to buy at the agreed strike price on the expiry date. A "put" option gives the investor the right to sell at the agreed strike price on the expiry date.
- Futures contracts are standardised contracts traded on an exchange to buy or sell an underlying instrument at a certain date in the future (the delivery date), at a specified price (the futures price). Once traded, the parties are obliged to buy / sell in accordance with the terms of the contract.
- Currency forwards are contracts which allow an agreed amount of two currencies to be exchanged at a pre-agreed rate and future date. They are used by WFM to hedge currency exposures arising from positions denominated in currencies other than the main currency of the fund.
- Total Return Swaps are a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains.
- Contract for Difference is essentially a contract between an investor and an investment bank or a spread-betting firm. At the end of the contract, the parties exchange the difference between the opening and closing prices of a specified financial instrument, including shares or commodities.

## **Access to and allocation of initial public offerings and underwriting**

WFM does not make investment decisions and provides an execution only service. The management of the Funds is delegated to the Investment Managers; therefore details of access to initial public offerings and underwriting will be contained in the individual Investment Managers Level One Disclosure Policy.

## **Placing of deposits**

WFM has traditionally placed the majority of deposits with the main Custodian of the Fund. Third parties may be selected from time to time in order to diversify counterparty risk. This process is subject to regular review. Where a different Bank is required for the depositing of cash or purchase of certificates of deposit, the bank is assessed and reviewed in conjunction with the approved deposit taker list. All new deposit takers are approved by the Investment Oversight Committee. Money Market Funds may be used for deposits, in line with the appropriate FCA COLL Regulations.

**Foreign exchange transactions**

In the majority of cases, WFM transacts foreign exchange through its Custodian relationships which it believes achieves best execution. WFM at times may appoint an independent third party to undertake FX transactions on its behalf where, it believes it is appropriate.

**WFM's Execution Policy**

WFM must establish and implement a policy to allow us to obtain the best possible result in accordance with its best execution obligations. WFM is also required to provide its clients with appropriate information on its order execution policy. A summary of the WFM Execution Policy can be found on WFM's website.



WAY Fund Managers Limited (Registered in England and Wales No 4011838).  
Authorised and regulated by the Financial Conduct Authority.

Registered address: Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset, BH21 7SB