

# Fundsmith LLP

## Order Execution Policy

February 2023

## 1. Introduction

- 1.1.** Fundsmith is authorised in the UK by the Financial Conduct Authority ("FCA") as a Collective Portfolio Management Investment Firm.

In terms of UK funds, Fundsmith is:

- the authorised corporate director of two UK open-ended collective investment schemes which are authorised under UK UCITS;
- authorised under UK AIFMD as a full scope alternative investment fund manager in respect of a closed-ended investment trust listed on the London Stock Exchange, which is considered a UK alternative investment fund ("AIF"),

Fundsmith is also appointed as the investment manager to three US domiciled limited partnerships, which are considered non-UK AIFs. The Firm has also been appointed as the investment manager in respect of segregated mandates.

The above funds and segregated mandates are collectively referred to as "Clients".

- 1.2.** The Policy describes Fundsmith's approach to providing best execution for its Clients.
- 1.3.** Fundsmith is required to establish and implement a policy which allows it to obtain, when placing orders on behalf of Clients for execution, the best possible result for its Clients, taking into account certain prescribed factors. The Policy is intended to satisfy those requirements.
- 1.4.** Fundsmith only acts as an investment manager in relation to equity investments; it does not manage or trade in other types of financial instrument. Fundsmith does not execute trades on behalf of its Clients directly.
- 1.5.** All Fundsmith's Clients are per se professional clients in accordance with the definition in the FCA handbook.

## 2. Best execution, execution factors and criteria

- 2.1.** When placing orders on behalf of Clients, Fundsmith must act in the Client's best interests and is required to take all sufficient steps to achieve the best possible result for its Clients, taking into account the execution factors. This is what is meant by "best execution".
- 2.2.** The execution factors which must be taken into account are: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.
- 2.3.** The following criteria are taken into account when determining the relative importance of the execution factors to a particular trade, these are the best execution criteria:

**2.3.1.** the characteristics of the Client, including its categorisation as a professional client. Where the Client is the fund, Fundsmith will consider the objectives, investment policy and risks specific to that fund as set out in its prospectus or private placement memorandum;

**2.3.2.** the characteristics of the order;

**2.3.3.** the characteristics of the financial instruments that are the subject of that order; and

**2.3.4.** the characteristics of execution venues to which that order can be directed.

### **3. Relationship with Northern Trust**

**3.1** Fundsmith has outsourced trade execution to Northern Trust Securities LLP ("Northern Trust").

**3.2** Northern Trust is a leading provider of execution services with in-depth expertise of trade execution across global equity markets. Northern Trust was selected to undertake this function on behalf of Fundsmith following detailed due diligence and analysis of their execution capabilities, expertise, systems and controls. The outsourced trading arrangement provides Fundsmith with comprehensive dealing desk functions which operate globally and facilitate access to all relevant brokers and execution venues. Northern Trust acts solely in an agency capacity on behalf of Fundsmith.

**3.3** Northern Trust is required to take all sufficient steps to achieve the best possible result for Fundsmith on a consistent basis taking into account the execution factors and the relative importance of those execution factors as agreed with Fundsmith. There are detailed trading protocols which Northern Trust adheres to when providing these dealing services on behalf of Fundsmith.

**3.4** Northern Trust also provides Fundsmith with detailed execution data and analysis in relation to each trade undertaken.

**3.5** Fundsmith believes that the arrangements with Northern Trust ensures that the Firm obtains the best possible results in relation to the execution of trades.

### **4. Best execution procedures in practice**

**4.1.** For every trade undertaken on behalf of Fundsmith, Northern Trust considers the execution factors and the execution criteria set out above and determines the most appropriate approach to the execution of that order with a view to achieving the best possible result for Fundsmith.

**4.2.** Generally, Fundsmith's trading protocols place greater weight on the execution factors of price, likelihood of execution and settlement, size and nature of order and market impact.

**4.3.** Fundsmith aims to build a position in its chosen stocks when the liquidity is available, for the best available price. Given Fundsmith's buy and hold investment philosophy, the Firm tends to place more importance on price and the likelihood of execution rather than speed of execution, whilst at the same time ensuring that

other relevant factors are given due consideration. Fundsmith will also prioritise the impact its orders may have on the market as the Firm's standard trade and position size have grown in line with AUM.

- 4.4. In general, any unfilled orders will be cancelled at the end of the day. Occasionally, unfilled orders at the end of the day will be left open until completed, but only if this is agreed following a discussion between Fundsmith and Northern Trust.
- 4.5. If Northern Trust were ever concerned that a particular order might impact the market price or cause any other form of market disturbance, it would refer back to Fundsmith before proceeding in line with their regulatory obligations and market conduct requirements. This would be highly unlikely for Fundsmith's developed equity market portfolios.
- 4.6. Northern Trust arranges the execution of trades through a number of brokers, trading platforms and venues including regulated markets, multilateral trading facilities, systematic internalisers and other venues. It is possible that trades will be executed outside of a regulated trading venue.
- 4.7. Northern Trust uses a number of trading platforms and venues requesting competing quotations from potential counterparties to assess market liquidity. Northern Trust use their expertise and judgement to assess the quotes and the execution factors are considered as a fundamental part of the process to determine the counterparty or execution venue which will best serve Fundsmith's interests. When evaluating different counterparties Northern Trust takes into account a number of criteria including their market share, tenure in the market and breadth of market coverage, their ability to manage complex orders, their recent performance on other orders, any specialisations, the speed of execution, responsiveness and their credit worthiness.
- 4.8. Unless instructed otherwise, Northern Trust will select the execution venues, with and through whom they execute Fundsmith's orders, which enables them to obtain on a consistent basis the best possible result for Fundsmith. Northern Trust will utilise their expertise and judgment to seek prices from available counterparties (including connected parties) which Fundsmith considers will best serve the Firm's interest. The factors Northern Trust consider relevant to determine the number and appropriate counterparties from who to seek prices in connection with the execution of our orders include, but are not limited to:
  - a) Level of trading interest and depth of market;
  - b) The quality of indicative bids and offers;
  - c) Availability of dealers quoting a market;
  - d) Ticket size;
  - e) Electronic execution capability;
  - f) Regulatory status of the venue and the instrument, in particular in respect of pre- and post-trade transparency requirements; and
  - g) The ability of the venue to meet any trading obligations applicable to the class of instrument to which the order relates.

When Northern Trust places an order for execution on behalf of Fundsmith, Northern Trust will ensure that, where applicable, the broker is under an obligation to provide best execution in relation to that trade.

- 4.9. Appendix 1 contains a list of the execution venues utilised; Northern Trust has ongoing and periodic venue and broker reviews.

## 5. Specific client instructions

- 5.1.** The duty of best execution is modified to the extent that a Client gives a specific instruction concerning the execution of its order. Although it would be highly unusual for a Client to do this, if there is a specific instruction from the Client, Fundsmith, in connection with Northern Trust, must execute the order following the specific instruction.
- 5.2.** Any specific instruction from the Client may prevent Fundsmith from taking the steps that it has designed and implemented in the Policy to obtain the best possible result for the execution of orders in respect of the elements covered by those instructions.
- 5.3.** Even where the Client gives Fundsmith a specific instruction, Fundsmith must still obtain the best possible result for the Client. Fundsmith must be able to explain to the Client or the FCA how it handled those parts of the order which were not subject to a specific instruction.

## 6. Client disclosures, consent and notifications

- 6.1.** Fundsmith makes the Policy and any material changes to it available to Clients and fund investors via its website at [www.fundsmith.com](http://www.fundsmith.com). Fundsmith will respond to all reasonable and proportionate requests from investors for information about the Policy or its order execution arrangements clearly and within a reasonable time.

## 7. Monitoring and review

### 7.1. Ongoing monitoring and assessment

- 7.1.1.** Fundsmith monitors on an ongoing basis the effectiveness of its order execution arrangements and this Policy in order to identify and, where appropriate correct, any deficiencies.
- 7.1.2.** In addition, Fundsmith assesses, on a regular basis, whether the execution quality obtained is consistent with its obligation to provide for the best possible result for its Clients or whether changes to the execution arrangements are required. This includes assessing whether the execution venues used provide for the best possible result for its Clients. In making this assessment Fundsmith will take into account the information published by execution venues and by other firms in relation to the quality of execution of orders (including information about price, costs, speed and likelihood of execution for individual financial instruments).
- 7.1.3.** Reviews of best execution are carried out with Northern Trust and Abel Noser, an independent third party that provides detailed reports and consultancy services for this purpose.
- 7.1.4.** Fundsmith has appropriate procedures in place to obtain relevant data published and takes a proportionate approach to its assessment of such data.

## 7.2. Formal review of the Policy

- 7.2.1.** Fundsmith reviews the Policy, and its order execution arrangements, on an annual basis. This review comprises a formal assessment of the relationship with Northern Trust, the execution venues and brokers used, the quality of execution obtained, and an analysis of the information published by brokers and execution venues.
- 7.2.2.** Fundsmith will carry out an additional review should a material change occur which affects its ability to continue to obtain the best possible result for its Clients on a consistent basis using the arrangements, venues and brokers listed in the Policy, including considering making changes to the relative importance of the best execution factors or the execution venues in meeting the best interests requirements. A material change for these purposes is a significant event of an internal or external nature that could impact the parameters of best execution such as cost, price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the order. As noted above, Fundsmith notifies its Clients of any material changes to the Policy.

## APPENDIX 1 – NORTHERN TRUST EXECUTION VENUES (EQUITIES)

ABBEY NATIONAL TREASURY SERVICES PLC	ACADEMY SECURITIES INC	ALLIANCEBERNSTEIN INVESTMENTS INC
AMERIPRISE FINANCIAL SERVICES INC	AMHERST PIERPONT SECURITIES LLC	ANZ SECURITIES INC.
APEX CLEARING CORP	ARBOR RESEARCH & TRADING LLC	AUERBACH GRAYSON & COMPANY LLC
B C ZIEGLER AND CO	B RILEY SECURITIES INC	BANCO BILBAO VIZCAYA ARGENTARIA SA
BANCO SANTANDER SA	BANCO SANTANDER SA (NEW YORK BRANCH)	BANK OF AMERICA EUROPE DAC
BANK OF AMERICA NA	BANK OF MONTREAL	BANK OF NOVA SCOTIA
BANK OF NOVA SCOTIA (LONDON BRANCH)	BARCLAYS BANK PLC	BARCLAYS CAPITAL INC
BARCLAYS CAPITAL SECURITIES LTD	BARCLAYS SECURITIES JAPAN LTD	BBVA SECURITIES INC
BCP SECURITIES LLC	BCS PRIME BROKERAGE LTD	BGC BROKERS LP
BGC FINANCIAL LP	BLACKROCK INVESTMENTS LLC	BLAYLOCK VAN LLC
BLOOMBERG TRADEBOOK LLC	BMO CAPITAL MARKETS CORP	BNP PARIBAS (LONDON BRANCH)
BNP PARIBAS ARBITRAGE	BNP PARIBAS SA	BNP PARIBAS SA (PARIS BRANCH)
BNP PARIBAS SECURITIES (ASIA) LIMITED	BNP PARIBAS SECURITIES CORP	BNY MELLON CAPITAL MARKETS LLC
BOFA SECURITIES EUROPE SA	BOFA SECURITIES INC	BOK FINANCIAL SECURITIES INC
BREAN CAPITAL LLC	BRED BANQUE POPULAIRE	BROWNSTONE INVESTMENT GROUP LLC
BTIG LIMITED	CABRERA CAPITAL MARKETS LLC	CANACCORD GENUITY LLC
CANADIAN IMPERIAL BANK OF COMMERCE	CANADIAN IMPERIAL BANK OF COMMERCE (LONDON BRANCH)	CANTOR FITZGERALD & CO
CASTLEOAK SECURITIES LP	CF SECURED LLC	CHARLES SCHWAB & CO INC

CIBC WORLD MARKETS CORP.	CIBC WORLD MARKETS PLC	CITADEL SECURITIES LLC
CITIBANK INTERNATIONAL LTD	CITIBANK NA	CITIBANK NA (LONDON BRANCH)
CITIC SECURITIES CO LTD	CITIGROUP GLOBAL MARKETS INC	CITIGROUP GLOBAL MARKETS LIMITED
CITIZENS CAPITAL MARKETS INC	CLARKSONS PLATOU SECURITIES INC	CLSA (UK)
CLSA GLOBAL MARKETS PTE LTD	CLSA LTD	COLLIERS SECURITIES LLC
COMERICA SECURITIES INC	COMMERZBANK AG	COMMONWEALTH AUSTRALIA SECURITIES LLC
COMMONWEALTH BANK OF AUSTRALIA	COOPERATIEVE RABOBANK UA (LONDON BRANCH)	COWEN AND CO LLC
CREDIT AGRICOLE CIB (GRAND CAYMAN)	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK (LONDON BRANCH)	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK SA
CREDIT AGRICOLE INDOSUEZ CHEUVREUX NORDIC AB	CREDIT AGRICOLE SA (LONDON BRANCH)	CREDIT AGRICOLE SECURITIES (USA) INC
CREDIT SUISSE (HONG KONG) LTD	CREDIT SUISSE AG	CREDIT SUISSE AG (NEW YORK BRANCH)
CREDIT SUISSE INTERNATIONAL	CREDIT SUISSE SECURITIES (EUROPE) LTD	CREDIT SUISSE SECURITIES (USA) LLC
CREWS & ASSOCIATES INC	CROSS POINT CAPITAL LLC	DA DAVIDSON & CO
DAIWA CAPITAL MARKETS AMERICA INC	DAIWA CAPITAL MARKETS EUROPE LTD	DANSKE BANK A/S
DANSKE BANK A/S (LONDON BRANCH)	DAVENPORT & COMPANY LLC	DEUTSCHE BANK AG
DEUTSCHE BANK SECURITIES INC	DIRECT	DNB MARKETS
DREXEL HAMILTON LLC	DRW EUROPE B.V.	DZ BANK AG DEUTSCHE ZENTRAL GENOSSENSCHAFTSBANK FRANKFURT AM MAIN
E TRADE SECURITIES	EXANE BNP PARIBAS	FEDERAL FARM CREDIT



# Fundsmith LLP

LLC		BANKS FUNDING CORP
FEDERAL HOME LOAN MORTGAGE CORPORATION	FHN FINANCIAL SECURITIES CORP	FIFTH THIRD SECURITIES INC
FIRST TRYON SECURITIES LLC	FIS BROKERAGE & SECURITIES SERVICES LLC	FLOW TRADERS
FLOW TRADERS BV	FLOW TRADERS U.S. INSTITUTIONAL TRADING LLC	FLOW TRADERS US LLC
FMSBONDS INC	FOR PROCREATE - DO NOT USE	GENESIS GLOBAL TRADING INC
GIFS CAPITAL COMPANY LLC	GOLDMAN SACHS & CO LLC	GOLDMAN SACHS INTERNATIONAL
GUGGENHEIM SECURITIES LLC	GUZMAN & COMPANY	HAITONG INTERNATIONAL (UK) LTD
HERBERT J SIMS & CO INC	HILLTOP SECURITIES INC	HM TREASURY UK SOVEREIGN SUKUK PLC
HSBC BANK PLC	HSBC SECURITIES (USA) INC	HUNTINGTON NATIONAL BANK (THE)
HUTCHINSON SHOCKEY ERLEY & CO	ICAP CORPORATES LLC	ICAP SECURITIES USA LLC
IMPERIAL CAPITAL LLC	INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD	ING BANK NV
ING BANK NV (AMSTERDAM BRANCH)	ING FINANCIAL MARKETS LLC	INSPEREX LLC
INSTINET EUROPE LIMITED	INSTINET LLC	INTERACTIVE BROKERS LLC
IPREO HOLDINGS LLC	ITAU CORPBANCA COLOMBIA SA	JANE STREET CAPITAL LLC
JANE STREET EXECUTION SERVICES LLC	JANE STREET FINANCIAL LTD	JANNEY MONTGOMERY SCOTT LLC
JEFFERIES INTERNATIONAL LTD	JEFFERIES LLC	JP MORGAN CAZENOVE LIMITED
JP MORGAN SECURITIES LLC	JP MORGAN SECURITIES PLC	JPMORGAN CHASE BANK NA
JVB FINANCIAL GROUP	KBC BANK (LONDON	KBC BANK NV

## Fundsmith LLP

LLC	BRANCH)	
KEEFE BRUYETTE & WOODS INC	KEYBANC CAPITAL MARKETS INC	LA BANQUE POSTALE
LA BANQUE POSTALE (PARIS BRANCH)	LIQUIDNET EUROPE LIMITED	LIQUIDNET INC
LLOYDS BANK PLC	LLOYDS SECURITIES INC	LOOP CAPITAL MARKETS LLC
LPL FINANCIAL LLC	M&T SECURITIES INC	MACQUARIE BANK LTD
MACQUARIE CAPITAL (EUROPE) LIMITED	MACQUARIE CAPITAL (USA) INC	MACQUARIE CAPITAL SECURITIES (SINGAPORE) PTE LTD
MACQUARIE CAPITAL SECURITIES LIMITED - HONG KONG	MACQUARIE SECURITIES (AUSTRALIA) LIMITED	MARKETAXESS CAPITAL LTD
MARKETAXESS CORPORATION	MARKETAXESS EUROPE LTD	MAXIM GROUP LLC
MERRILL LYNCH INTERNATIONAL	MERRILL LYNCH PIERCE FENNER & SMITH INC	MESIROW FINANCIAL INC
MILLENNIUM ADVISORS LLC	MISCHLER FINANCIAL GROUP INC	MIZUHO BANK LTD
MIZUHO INTERNATIONAL PLC	MIZUHO SECURITIES USA LLC	MORGAN STANLEY & CO INTERNATIONAL PLC
MORGAN STANLEY & CO LLC	MORGAN STANLEY SECURITIES LTD	MUFG BANK LTD (LONDON BRANCH)
MUFG SECURITIES AMERICAS INC	MURIEL SIEBERT & CO INC	MUTUAL FUND TRADE
NATIONAL ALLIANCE SECURITIES CORPORATION	NATIONAL AUSTRALIA BANK LIMITED (SYDNEY BRANCH)	NATIONAL AUSTRALIA BANK LTD
NATIONAL AUSTRALIA BANK LTD (NEW YORK BRANCH)	NATIONAL BANK FINANCIAL INC (UK BRANCH)	NATIONAL BANK OF CANADA FINANCIAL INC
NATIONAL FINANCIAL SERVICES LLC	NATIXIS SECURITIES AMERICAS LLC	NATWEST MARKETS PLC
NATWEST MARKETS SECURITIES INC	NOMURA INTERNATIONAL PLC	NOMURA SECURITIES INTERNATIONAL INC
NORDEA BANK ABP	NORTH SOUTH CAPITAL LLC	NORTHERN TRUST SECURITIES INC
NUVEEN SECURITIES	ODEON CAPITAL GROUP	OLD MISSION MARKETS

## Fundsmith LLP

LLC	LLC	LLC
OPPENHEIMER & CO INC	OPS BROKER - TENDER AGENT	OREC SECURITIES LLC
PEEL HUNT LLP	PENSERRA SECURITIES LLC	PERFORMANCE TRUST CAPITAL PARTNERS LLC
PERSHING LLC	PIPER SANDLER & CO	PNC CAPITAL MARKETS LLC
PRUDENTIAL FUNDING LLC	RABO SECURITIES USA INC	RAYMOND JAMES & ASSOCIATES INC
RAYMOND JAMES FINANCIAL INC.	RBC CAPITAL MARKETS LLC	RBC DOMINION SECURITIES INC
RBC EUROPE LTD	ROBERT W BAIRD & CO INCORPORATED	ROOSEVELT & CROSS INCORPORATED
ROYAL BANK OF CANADA (LONDON BRANCH)	ROYAL BANK OF CANADA (NEW YORK BRANCH)	ROYAL BANK OF CANADA (TORONTO BRANCH)
RUSSELL IMPLEMENTATION SERVICES INC	RW PRESSPRICH & CO	SAMUEL A RAMIREZ & COMPANY INC
SANFORD C BERNSTEIN & CO LLC	SANTANDER INVESTMENT SECURITIES INC	SCOTIA CAPITAL USA INC
SEAPORT GLOBAL SECURITIES LLC	SG AMERICAS SECURITIES LLC	SG SECURITIES (HK) LIMITED
SIEBERT WILLIAMS SHANK & CO LLC	SKANDINAVISKA ENSKILDA BANKEN AB	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) (LONDON BRANCH)
SMBC NIKKO CAPITAL MARKETS LIMITED	SMBC NIKKO SECURITIES AMERICA INC	SOCIETE GENERALE (NEW YORK BRANCH)
SOCIETE GENERALE (PARIS BRANCH)	SOCIETE GENERALE SA	SOCIETE GENERALE SA (LONDON)
STATE STREET GLOBAL MARKETS LLC	STEPHENS INC.	STERN BROTHERS & CO
STIFEL NICOLAUS & CO INC	STONEX FINANCIAL INC	SUMITOMO MITSUI BANKING CORPORATION
SUMRIDGE PARTNERS LLC	SUSQUEHANNA FINANCIAL GROUP LLLP	SUSQUEHANNA INTERNATIONAL SECURITIES LIMITED
SVB LEERINK LLC	SVENSKA HANDELSBANKEN	TD AMERITRADE INC

## Fundsmith LLP

	AB	
TD SECURITIES (USA) LLC	TD SECURITIES AUTOMATED TRADING LLC	THORNTON FARISH INC
TOKYO TANSI CO LTD	TORONTO-DOMINION BANK (LONDON BRANCH)	TOYOTA MOTOR CREDIT CORP
TP ICAP MARKETS LIMITED	TRADEWEB DIRECT LLC	TRADITION LONDON CLEARING LIMITED
TRADITION SECURITIES AND DERIVATIVES INC	TRIBAL CAPITAL MARKETS LLC	TRUIST SECURITIES INC
TRUMID FINANCIAL LLC	TULLETT PREBON (SECURITIES) LIMITED	TULLETT PREBON EUROPE LTD
TULLETT PREBON FINANCIAL SERVICES LLC	UBS AG	UBS AG (LONDON BRANCH)
UBS EUROPE SE	UBS FINANCIAL SERVICES INC	UBS SECURITIES CO LTD
UBS SECURITIES LLC	UEDA YAGI TANSI CO LTD	UMB FINANCIAL CORPORATION
UNICREDIT BANK AG	UNITED OVERSEAS BANK LTD (LONDON BRANCH)	US BANCORP
US BANCORP INVESTMENTS INC	US BANK MUNICIPAL SECURITIES GROUP	VINING-SPARKS IBG LP
VIRTU AMERICAS LLC	VIRTU ITG EUROPE LIMITED	VIRTU ITG LLC
WALL STREET ACCESS LLC	WEDBUSH SECURITIES INC	WELLS FARGO CLEARING SERVICES LLC
WELLS FARGO SECURITIES INTERNATIONAL LTD	WELLS FARGO SECURITIES LLC	WESTPAC CAPITAL MARKETS LLC
WILLIAM BLAIR & COMPANY LLC	ZIONS BANCORPORATION NATIONAL ASSOCIATION	