

# **Fundsmith**

## **Order Execution Policy**

February 2023

## 1. Introduction

- 1.1. The Policy describes Fundsmith's approach to providing best execution for its Clients.
- 1.2. 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.
- 1.3. 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.
- 1.4. All Fundsmith's Clients are per se professional clients.

## 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.eu](http://www.fundsmith.eu). 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            |

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| 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   |

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| 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                        |



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| 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                              |

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| 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                                       |

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|  | AB  |                                   |
| TD SECURITIES (USA) LLC                  | TD SECURITIES AUTOMATED TRADING LLC       | THORNTON FARISH INC               |
| TOKYO TANSHI 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 TANSHI 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 |                                   |