



BEST EXECUTION POLICY (July 2010)

Introduction

In accordance with regulatory requirements set by the Financial Services Authority (“FSA”), we are obliged to provide clients with information about the steps we take to obtain the best possible result where we are executing client orders. We may refer to our obligation to obtain the best possible result for clients hereafter, as “best execution”.

Scope

Our Best Execution Policy is applicable to Merchant Securities Limited (“MSL”) clients, where we have received an order in respect of financial instruments: such as shares; derivatives, or bonds, or which we pass on (i.e. transmit) at our discretion to another broker or dealer (“third party”) for execution.

Execution Factors

In considering how we might achieve the best execution, we will take a number of factors into account: including price (or total consideration in the case of retail clients); costs; speed; likelihood of execution and settlement; size; nature of the order; or any other considerations relevant to the execution of that order.

In determining the relative importance of these factors, we will use our commercial experience and judgement with consideration to the characteristics of the financial instruments to which the order relates, as well as the possible execution venues to which that order can be directed.

In general, we will regard “price” as the most important of these factors for obtaining the best possible result. However, we recognise that there may from time to time be circumstances for some clients, particular instruments or markets where other factors may be deemed to have a higher priority. In the case of retail clients, we will always regard the most important factors as those which result in the best total consideration in terms of the price combined with the costs of execution.

Execution Venue

An execution venue is the term used to describe a place where a client order is executed. For reasons of cost, appropriateness, efficiency and settlement, we execute most client orders in listed shares and other listed securities, such as options, warrants and debt securities, on the London Stock Exchange, another EU Regulated Market, or on a Multilateral Trading Facility (“MTF”) – a system operated by another investment firm, or a market operator, which brings together multiple third party buying and selling interests in the system and in accordance with non-discretionary rules.

The vast majority of our client’s orders are executed on an EU Regulated Market or MTF, but we may also execute orders outside a EU Regulated Market or MTF (including, for instance, where

the securities are admitted to trading on a market which is not a Regulated Market, or where securities are traded solely over the counter (“OTC”). In some cases we access execution venues direct, but where we are not a direct member we may access them through a third party.

We select third parties to execute orders by taking into account their ability to execute orders in accordance with our priorities set out above; their ability to deal with us efficiently and the costs involved.

Where the security concerned is a unit in a regulated collective investment scheme or open-ended investment company, or other unlisted security, then acquisitions and redemptions of the investment will take place usually with the unit trust manager/investment company or issuer itself.

For certain types of investment for example, shares in private companies, there may be no formal market value.

We select the venue we consider the most appropriate for the order taking account of the execution factors we have described above. In relation to some financial instruments there may be only one possible execution venue. When we execute an order on a client’s behalf in such circumstances it will be assumed that we have achieved best execution.

We reserve the right to use other execution venues where we deem it appropriate to do so in accordance with a client’s specific instructions.

Specific Instructions

Where we receive specific instructions from a client, we shall follow those instructions and to the extent they apply we may not be able to apply our Best Execution Policy and this may have an effect on whether or not we can obtain best execution for the client’s order.

Limit Orders

If an order has been placed with us with a “limit” on the price for execution, we may not be able to execute it immediately. Consequently, in accordance with regulatory requirements and unless otherwise specifically instructed, we will publicly disclose details of any unexecuted part of such “limit” order. However, with client consent, we can exercise discretion as to how and when unexecuted limit orders are shown to the market. We believe that this allows us to achieve the best possible result for our clients. We therefore seek your express consent on this matter – please see “Consent” below.

Transaction Reporting

As an FSA regulated firm, we are obliged to and will report trades executed on a Regulated Market to the FSA. Unless we agree with clients otherwise, we will also report details about transactions in securities that are transacted outside a Regulated Market.

Monitoring and Review

We regularly monitor our order execution arrangements, as well as the quality of both our execution and that of third parties to whom we have passed orders. Such review will enable us to identify and implement changes to our Best Execution Policy and execution arrangements as necessary. Clients’ should note that it may not always be possible to make an effective comparison of execution performance because reliable data is not always available for some markets.

We will notify clients about any material changes to our Execution Factors, Execution Venues, and Best Execution Policy by posting an up-dated version of this document on our website. Clients will not be notified separately about changes to our Best Execution Policy or Execution Venues.

Consent

Our Regulator, the FSA, requires us to obtain clients prior consent to our Best Execution Policy. Clients will be deemed to provide such consent when they instruct us to act on their behalf in relation to an order or, if clients only wish us to provide discretionary portfolio management services, when they appoint us to provide these services.

Whilst we anticipate that orders will not generally be executed outside an EU Regulated Market or a MTF, there may be circumstances in which it is in client's best interests to do so. For example this could occur where we execute an order on a non-European market. In this instance, express consent from the client is required to execute such an order. Finally, as mentioned above, express client consent is also required for MSL not making public any unexecuted client "limit" order.