

WESLEYAN BEST EXECUTION POLICY



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BEST EXECUTION POLICY

1. Policy Scope and Objectives

Best Execution requires investment firms to take all sufficient steps to obtain the best possible result for their customers when making investment trades on their behalf. The objective of this document is to set out the Society's policy, including Wesleyan Unit Trust Managers (WUTM), regarding Best Execution.

Please note: where 'Society', 'We' and 'Wesleyan' are stated in this policy, these words refer to the Wesleyan Group as a whole; e.g. WUTM is also included.

1.1 Scope

This document defines the Society's approach to providing best execution of investment trades for its customers, as required by the Markets in Financial Instruments Directive (MiFID).

The MiFID II directive, which applies from 1st January 2018, is a revision of the original MiFID directive which came into effect in 2007. MiFID II contains an article (27) regarding best execution, which forms the basis of the Society's Best Execution policy. A copy of the directive can be found on the European Union website [here](#). Although MiFID only applies to certain funds, this policy applies to trades in all of the Society's investment funds.

We will be applying this policy to all trades as they operate without direct or specific instructions from customers.

1.2 Investment Ranges and Limits

To ensure that investments are managed in line with the Society's risk appetite and stay aligned to customers' attitudes to risk, each fund has a set of limits and ranges that fund managers must adhere to. These include the relative amount of equities, bonds

and other asset types in a fund, as well as limitations on the types of financial instruments that a fund manager can invest in.

1.3 Communication of this Policy to customers

As required under the MiFID II regulations, a version of this policy is available to download by customers on the Wesleyan.co.uk website, and is also available on request.

2. Trading Considerations

The Society will endeavour to achieve best execution on all trades, and has processes and oversight in place to ensure best execution takes place.

Where orders and transactions for a number of funds are combined, these must be carried out in line with the requirements set out in the Society's Partial Allocation policy. This policy helps to ensure that transactions are fairly allocated.

2.1 Key Execution factors

When deciding on how an order will be executed, a number of factors will be considered. Sometimes, the relative importance of these factors will change; E.g. in response to the trade type, nature of transaction or scenario in question. These execution factors are explained below.

Price: This refers to the resulting price of the transaction excluding execution charges. It will usually be the most important consideration.

Costs: These relate to commissions, costs and the fees that are charged for executing orders. With the exception of certain derivative trades these costs typically comprise a small fraction of the transaction

amount and only have a minor influence on the way that orders are executed.

Speed: This is the rate at which trades can be successfully executed. An authorised stockbroker can progress an order at a price which maintains the balance between minimising market impact and executing the order in a timely fashion; i.e. to reduce the risk that we may not be able to execute the order at the best price for our customers.

Likelihood of execution: This is the likelihood that the entire order will be fulfilled, or at least a substantial part of it.

Likelihood of settlement: Transactions are expected to settle in a timely fashion. Generally, likelihood of settlement is not a significant factor, given well-established settlement cycles. This is reinforced by the “matched-bargain” basis of trades (i.e. securities are not released until we receive the agreed credit, and debits are not authorised until the agreed securities are received).

Nature and/or other aspects (e.g. size): There may be other scenarios that determine how best execution is achieved, for example in Treasury Bill auctions. The Society uses the market expertise of stockbrokers to manage the size of a deal in order to facilitate the orderly functioning of the market.

Please note that this is not an exhaustive list of possible deal scenarios

Appendix A details the importance and rationale given to these factors for orders in the Society’s key listed asset classes. Note, however, that these may change depending on the prevailing circumstances. For example, where there is no likelihood of a breach of risk ranges or limits of a fund (see section 1.2 for more details) then **Price** is typically given more importance than **Speed** and **Likelihood of Execution**. However, if a fund needs to successfully execute trades in order to comply with prescribed asset class ranges, then **Speed** and **Likelihood of Execution** are typically given greater importance.

Over the Counter (OTC) Products: When executing OTC products, for example derivatives, we will check the fairness of the price proposed by comparing with similar comparable products, where possible.

2.2 Eligible Markets

The Society will use any UK or foreign exchange that is included on the its list of approved Eligible Markets. These possible execution venues include, as appropriate for each product: regulated markets, multilateral trading facilities, systematic internalisers, market makers and other liquidity providers.

Wesleyan may also transmit orders for execution to another broker or dealer (which may be located outside of the European Economic Area (EEA) and could include both affiliate entities and / or third party brokers). In this case, we will either determine the ultimate execution venue ourselves and instruct the other broker or dealer accordingly, or we will satisfy ourselves that the other broker or dealer has arrangements in place to enable us to comply with our Best Execution obligations.

2.3 Record keeping

We retain records of all investment trades, including the initial decision to deal, the placing of the trade and the allocation of the trade after it has been executed. All data are kept securely for a period in line with the Society’s Document retention requirements.

2.4 Requests

In line with MiFID II requirements, a version of this policy is available on our website. Customers of the Society can also discuss the application of best execution by contacting the Customer Relationship Centre on 0800 092 1990.

3. Execution Venues

When we select the execution venues from those available to place orders with, we choose those that we believe are most likely to achieve best execution, after both explicit and implicit costs have been taken into account.

Wesleyan has no close links to any execution venues it uses. However, it does receive, and pays for, substantive research from companies that it also employs as execution venues. We do not believe that this will cause a conflict of interest, as the selection of research providers is undertaken independently from the selection of execution venues.

The Society's staff (including our fund managers) may hold financial securities in the companies used as execution venues or have a personal investment in the Society's funds (which may also have a financial interest in these execution venues). We do not believe this creates a conflict of interest, due to the immaterial size of the proceeds paid to execution venues as recompense for execution services rendered.

We will periodically review the execution costs charged by the execution venues we use, to ensure these costs remain competitive and appropriate for the services provided. If execution costs are too high relative to similar services offered elsewhere, we would look to renegotiate these execution costs. If the execution venue is unwilling to reduce these costs, we would aim to remove them from our available list of execution venues.

Wesleyan Assurance Society charges Wesleyan Unit Trust Managers for the services it provides, including investment services, details of this are included in the Wesleyan Unit Trust Managers report and accounts, a copy of which is available upon request.

3.1 Execution Venues Selected

The following table lists the current venues selected for various instrument types:

Instrument Type	Execution Venue
Equities – Shares & Depositary Receipts Tick size liquidity bands 5 and 6 (from 2,000 trades per day) Tick size liquidity bands 3 and 4 (from 80 to 1,999 trades per day) Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)	Barclays, Jefferies, Merrill Lynch, Stifel Barclays, Jefferies, JP Morgan, Merrill Lynch, Numis, Peel Hunt, Stifel. Jefferies, JP Morgan, Numis, Peel Hunt, Stifel
Debt Instruments Bonds and Money Market Instruments	Bank of America, Barclays, Citigroup, Deutsche Bank, Jefferies, JP Morgan, King & Shaxson, Lloyds Bank, Morgan Stanley, Natwest (RBoS), UBS.
Interest Rate Derivatives Swaps, forwards, and other interest rates derivatives	BNP Paribas, Deutsche Bank, Natwest (RBoS)
Equity Derivatives Swaps and other equity derivatives	BNP Paribas, Deutsche Bank, Natwest (RBoS)
Other instruments CIS – UCITS IPOs T-bill auctions	Options dictated by fund management firm. Options dictated by firm raising funds King & Shaxson, Natwest (RBoS)
Foreign Exchange	HSBC

The sections below explain how these execution venues were selected:

3.1.1 Liquid Equities

For liquid equities, price is the main factor in the selection of an execution venue, and we have selected the lowest cost execution venue to place orders with. Equities that average more than 2,000 trades per day are generally seen as liquid but market factors on any given day may alter this view and ultimate discretion on execution venue selection remains with the fund manager.

3.1.2 Less Liquid Equities

To achieve best execution in less liquid equities, typically those of less than 2,000 trades per day, likelihood of execution may be the biggest factor in selecting the execution venue; i.e. the factor most likely to achieve best execution.

We have chosen a number of execution venues that we believe are able to provide superior liquidity across a wide range of less liquid equities. These execution venues typically charge slightly higher execution costs, but we believe the improved likelihood of execution compensates for the higher charge and makes them more likely to achieve best execution on behalf of the customer.

3.1.3 Bonds

Selection of execution venues for bonds is based on historical evidence of best execution from the execution venue. With this in mind, we have chosen venues that have historically provided the best execution for the Society on behalf of its customers. Investments will periodically review the bond execution venues they utilise to ensure they are still the execution venues most likely to provide best execution in trading bonds.

3.1.4 Derivatives

When placing trades in derivatives, we only obtain quotes from two counterparties in order to reduce the chance of information leakage. In doing so, we are more likely to reduce the market impact of the trade and thereby achieve a better execution price for customers.

When closing derivative positions, we obtain quotes from at least one other counterparty to ensure prices obtained are achieving best execution.

When executing orders or taking decisions to deal in Over the Counter (OTC) products (including bespoke products), we will check the fairness of the price proposed by the counterparty to the fund. We do this by gathering market data to estimate the price of such products and, if possible, by comparing the price with similar or comparable products. The selection of the two execution venues chosen to provide derivative quotes will be dependent on their perceived expertise in relation to the type and form of the derivative proposed.

3.1.5 Undertakings for Collective Investment Schemes (CIS) and Collective Investment of Transferable Equities (UCITS)

When trading CIS/UCITS, we deal directly with the fund manager or via their designated counterparty. Best execution is achieved, given that there is only one trading venue, the price of the security is fixed daily, it reflects the price of the underlying securities and there are no explicit trading costs.

3.1.6 Initial Public Offerings

When investing in an Initial Public Offering (IPO), we take into account all aspects of the security's nature and would only invest if the security is suitable for the fund and where we believe it is fairly or undervalued. We would look to place a trade in an IPO with the stockbroker that we believe is most likely to be able to secure its full allocation.

3.1.7 Currency

Where we undertake currency trades, we will look to secure the most favourable exchange rate for our funds, ensuring best execution for our customers.

3.2 Trading outside an execution venue

In some circumstances, to increase the chances of attaining best execution for customers, the Society may execute orders outside of a trading venue. These orders would still settle through a clearing house and, as a result, we believe there are no adverse consequences of executing orders in this way. Further details of the potential consequence of this means of execution is available upon request.

3.3 Inducements

The Society's Investments may receive benefits in the course of the work it undertakes, these typically

take the form of gifts and/or hospitality. Instances of a perceived inducement being received are recorded, also included are instances when a potential inducement of significant value is declined. Perceived inducements which are deemed of an immaterial amount are not recorded. The value recorded is the estimated value based on cost incurred or true market value. The Society does not accept any inducement that they believe constitutes or would be deemed to constitute a conflict of interest. The list of benefits received is periodically reviewed by the Society's Risk & Regulatory department to ensure no conflict of interest arises.

4. Oversight, Monitoring and Reporting

4.1 Oversight

The Society's Risk Function carries out oversight of best execution by reviewing execution arrangements, reviewing the Best Execution Policy at least annually and assessing on a regular basis whether the execution venues it has selected provide the best possible results for customers.

The Society's Finance Department prepares reporting and management information (MI) packs that are provided to senior management and reviewed as part of the Corporate Governance arrangements. Internal committees involved in this process include the Investment Committee, the Asset and Liability Committee (ALCO) and Group Executive Boards (GEM, WUTM Board). Compliance Monitoring and Internal Audit areas complete periodic oversight of investment transactions, including evidence of best execution being applied.

The Society will notify, where relevant, all customers of any material or significant changes to its order execution arrangements or to this Best Execution Policy. We will aim to notify customers within 30 days, using the most suitable communication channel.

4.2 Monitoring

The Society's Risk Function undertakes regular monitoring to review best execution. Monitoring involves reviewing investment transactions to identify if best execution has taken place. Any issues are then raised, investigated and escalated as appropriate.

In addition, execution venues provide specific MI to act as evidence that they are carrying out best execution on the orders placed with them. Monitoring is also undertaken by the Risk Function regarding order allocation; any orders that are not processed as required are reported and investigated as appropriate.

5. Best Execution Reporting

As required under MiFID II, we publish the following reports regarding best execution on an annual basis. Please note that these reports only show data for the Unit Trust funds over the last 12 months:

Top five execution venues: This report details the top five execution venues per class of instrument that are used for Unit Trust funds. For each venue the proportion of traded volume, proportion of orders executed, percentage of passive and aggressive orders, and the percentage of directed orders are shown. This report is included in Appendix B of this document.

Report on execution quality: For each class of financial instruments, a summary is included of the analysis and conclusions drawn from our detailed monitoring of the quality of execution obtained on the execution venues, where all scheme orders were undertaken in the previous year. This report is included in Appendix C of this document.

Appendix A – Key Factors Rationale

Order/ Scenario	Price	Costs	Speed	Likelihood of Execution	Likelihood of Settlement	Size	Nature/ Other Aspects
Equities - Tick Size Liquidity bands 5 and 6	Price is the main determinant for most equity trades. When trading in shares with lower liquidity, likelihood of execution may become the main determinant given the difficulty of completing an order. Trades in lower liquidity equities are often placed with specialist liquidity providers which typically charge higher costs, it is believed that the higher likelihood of execution provided by specialist liquidity providers more than compensates for the higher costs charged.		Visibility is provided by time stamps on executed trades and "Time and Sales" from data providers. Time of execution delays are reviewed by traders in real time.	Due diligence is undertaken when new execution venues are added to the approved list. Failed settlements are investigated.	Due diligence is undertaken when new execution venues are added to the approved list. Eligible market checks are periodically undertaken.	The size of the order directed to the market is determined by the algorithm used or broker chosen.	
Equities - Tick Size Liquidity bands 3 and 4							
Equities - Tick Size Liquidity bands 1 and 2							
Debt instruments - Bonds	Price (yield) is the main determinant for most bond trades. Alternative quotes are typically attained when trading.	There are no explicit costs when executing bond trades.	Speed is unlikely to be a major factor. Any time of execution issues would be flagged with the broker.	Due diligence is undertaken when new execution venues are added to the approved list. Failed settlements are investigated.	Due diligence is undertaken when new execution venues are added to the approved list. Eligible market checks are periodically undertaken.	Size is considered in the context of the liquidity of the stock.	
Debt instruments – Money Market Instruments	The decision on which counterparty to use will be determined using a number of variables including yield, credit rating, limits and maturity.		Daily cut-off is the only consideration.	Due diligence is undertaken when new execution venues are added to the approved list. Failed settlements are investigated.	Due diligence is undertaken when new execution venues are added to the approved list. Eligible market checks are periodically undertaken.	Size is typically not a consideration of import	

Order/ Scenario	Price	Costs	Speed	Likelihood of Execution	Likelihood of Settlement	Size	Nature/ Other Aspects
Interest rates derivatives – Swaps, forwards, and other interest rate derivatives	Price transparency is limited so competitive quotes are sought from at least two counterparties and, where possible, internal modelling is utilised to aid price discovery. Prices typically already incorporate costs.		Typically, dependent on Asset Liability Management (ALM) calculations. Ultimately driven by internal committee(s)	Due diligence is undertaken when new execution venues are added to the approved list. Failed settlements are investigated.	Due diligence is undertaken when new execution venues are added to the approved list. Ongoing collateral movements are also considered.		Bespoke positions/ instruments require preliminary evaluation and simultaneous quotes from two counterparties.
Equity derivatives – Swaps and other equity derivatives	Price transparency is limited so competitive quotes are sought from at least two counterparties and, where possible, internal modelling is utilised to aid price discovery. Prices typically already incorporate costs.		Typically, dependent on Asset Liability Management (ALM) calculations. Ultimately driven by internal committee(s)	Due diligence is undertaken when new execution venues are added to the approved list. Failed settlements are investigated.	Due diligence is undertaken when new execution venues are added to the approved list. Ongoing collateral movements are also considered.		Bespoke positions/ instruments require preliminary evaluation and simultaneous quotes from two counterparties
Other instruments - CIS - UCITS	There is only a single trading venue and price equal across all execution venues.	Costs can vary by execution venue. By trading direct the firm only pays the costs pre-defined by the unit trust manager.	Set dealing times	Set dealing times			The fund manager will endeavour to utilise the cheapest designated execution venue.
Other instruments - IPOs	There is a single price applied to all trades.	No explicit transaction costs when trading.	Set dealing times		Well-regulated settlement jurisdictions.		
Other instruments – T-bill auctions	There is a single price applied to all trades.	Established/ agreed fees with eligible brokers & local laws	Fixed timetable provided.		Well-regulated settlement jurisdictions.		
Foreign Exchange	Price is the main determinant is execution venue.	No explicit trading costs	Trades cross in real-time.		Well-regulated settlement jurisdictions.		

Appendix B – Execution Venue Data (WUTM funds only)

Class of Instrument	Equities - Shares & Depository Receipts		Sub-Class	Tick size Liquidity bands 5 and 6 (from 2000 trades per day)		
Notification if <1 average trade per business day in previous year	YES			Period start 01/01/2017	Period end 31/12/2017	
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class		Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Deutsche Bank	28.04%	12.82%		48.00%	52.00%	0%
Barclays	16.30%	21.03%		36.59%	63.41%	0%
JPMorgan Securities	15.91%	9.74%		63.16%	36.84%	0%
Bernstein	10.65%	4.62%		55.56%	44.44%	0%
Shore Capital	9.13%	16.92%		69.70%	30.30%	0%
Class of Instrument	Debt instruments		Sub-Class	Tick size Liquidity bands 3 and 4 (from 80 to 1999 trades per day)		
Notification if <1 average trade per business day in previous year	YES			Period start 01/01/2017	Period end 31/12/2017	
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class		Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Numis Securities	22.71%	20.00%		72.73%	27.27%	0%
Canaccord	17.02%	5.45%		100.00%	0.00%	0%
Stifel	13.83%	18.18%		80.00%	20.00%	0%
Jefferies	13.52%	14.55%		100.00%	0.00%	0%
Deutsche Bank	10.91%	3.64%		100.00%	0.00%	0%

Appendix B – Execution Venue Data (WUTM funds only)

Class of Instrument	Equities - Shares & Depository Receipts		Sub-Class	Tick size Liquidity 1 and 2 (from 0 to 79 trades per day)		
Notification if <1 average trade per business day in previous year	YES			Period start 01/01/2017	Period end 31/12/2017	
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class		Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Stifel	29.61%	52.00%		84.62%	15.38%	0%
Stockdale Securities	22.22%	8.00%		100.00%	0.00%	0%
Peel Hunt	20.51%	8.00%		100.00%	0.00%	0%
Winterflood Securities	15.70%	12.00%		100.00%	0.00%	0%
Jefferies	6.84%	4.00%		100.00%	0.00%	0%
Class of Instrument	Debt instruments		Sub-Class	Bonds		
Notification if <1 average trade per business day in previous year	YES			Period start 01/01/2017	Period end 31/12/2017	
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class		Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
King & Shaxson	53.53%	57.14%				0%
Deutsche Bank	18.46%	15.48%				0%
Lloyds Banking Group	14.90%	14.29%				0%
RBOS	11.10%	10.71%				0%
Barclays	2.02%	2.38%				0%

Appendix C – Qualitative Analysis of Execution Quality

Introduction

Following implementation of MiFID II regulations effective from 3rd January 2018, Wesleyan Unit Trust Managers (WUTM) Limited is required to publish a qualitative report (RTS 28) annually. The regulations cover the funds held within WUTM, which is a subsidiary of Wesleyan Assurance Society ('the Firm'). Where 'the Firm' has been referred to in this report, it relates to both Wesleyan and WUTM as its subsidiary.

This report has been produced on the basis of the monitoring methodology in place during the reporting period (between 1st January 2017 and 31st December 2017). During the reporting period, the Firm conducted monitoring of best execution on a sample of orders placed for all funds under management (including those managed by WUTM). The monitoring methodology employed during this period involved post-trade selection of a minimum of 10% of orders placed by the Firm. It should be noted that this methodology was deemed by the Firm to be appropriate to the regulatory requirements in force at the time (i.e. prior to MiFID II), and was in line with the methodology of other similar firms at the time.

From 3rd January 2018, enhancements have been made to the regulatory regime as a result of the implementation of MiFID II, which includes the requirement on firms to take 'all sufficient steps' in reviewing relevant execution factors to ensure best outcomes for clients are consistently achieved. As a result, the execution quality governance and monitoring methodology employed by the firm from 1st January 2018 has been reviewed and updated, and this new methodology will be used to inform the RTS 28 reporting issued from April 2019 onwards.

Equity Trading

Execution factors

When considering execution factors for equities, the Firm generally places the highest importance on price, especially in highly liquid stocks. Whilst cost is an important factor, this is unlikely to be significantly different between trading venues used by the Firm. Speed and likelihood of execution will become higher in priority for less liquid stocks; however, price is

unlikely to be replaced as the most important factor. The execution factors are:

1. Price
2. Cost
3. Likelihood of Execution
4. Speed
5. Counterparty Risk

Close links, conflicts of interest and common ownerships with execution venues

The Firm does not consider itself to have any close links or areas of common ownerships that would give rise to any conflict of interest with regard to best execution for its customers. During 2017 Wesleyan received substantive research from Atlantic Equities, Barclays, Sanford Bernstein, Deutsche Bank, JP Morgan Securities, Numis Securities, Stifel, Redburn, Shore Capital and UBS that it paid for using bundled commission. The Firm does not consider this a conflict of interest, for the year commencing 2018 Wesleyan has chosen to pay for substantive research from its own account.

The Firm does not structure or charge commission in a way that discriminates unfairly between execution venues.

Furthermore, the Firm has produced policies regarding Conflicts of Interest, Gifts and Hospitality and Personal Account Dealing, detailing applicability to employees within the Firm and the requirements for all relevant employees to adhere to at all times. We do not believe the Firm or its employees have received any inducements from execution venues.

Specific arrangements with execution venues regarding payments, discounts, rebates or non-monetary benefits

No specific arrangements exist between the Firm and any execution venue regarding payments received, discounts or rebates, nor has the Firm received any non-monetary benefits from execution venues.

The Firm does not apply fees or charges to any parties involved in the transaction of financial instruments. Furthermore, no remuneration, discount or non-monetary benefit is received by the Firm or any member of staff for routing scheme orders to a particular trading venue.

An explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy

The Firm reduced the list of execution venues ahead of the publication of its Best Execution policy (in January 2018) in preparation for the introduction of the MiFID II regulations.

An explanation of how order execution differs according to client categorisation

Order execution is consistent across all scheme categorisations.

An explanation of whether other criteria were given precedence over price and cost when executing client orders

The Firm currently does not have any retail clients.

An explanation of how the firm has used any data or tools relating to the quality of execution

The Firm has obtained and reviewed 'raw slippage' data across all trades within WUTM during the reporting period to assess the quality of execution across all venues used.

An explanation of how the firm has used the output of a consolidated tape provider

The Firm has not used a consolidated tape provider at any stage during the reporting period.

Fixed Income Trading

Execution factors

When considering execution factors for fixed income, the Firm will consider likelihood of execution as a key factor, as the market is less liquid than in equities. However, price and cost are unlikely to be replaced as the most important factors. The execution factors are:

1. Price
2. Cost
3. Likelihood of Execution
4. Speed
5. Counterparty Risk

All other areas detailed within Equity Trading are also applicable to this section.

Summary

The Firm has concluded from its monitoring of best execution during the reporting period that there were no issues or exceptions in relation to the quality of the execution provided by the venues used. As confirmed earlier within the report, the monitoring completed was based on methodology the Firm deemed to be appropriate to the regulatory requirements in force during the reporting period, and the conclusions have been determined on a 'best endeavours' basis.

A detailed breakdown of the top 5 execution venues (Appendix B) has been included within this report.



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