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# **Leucadia Investment Management Limited**

## Order Execution Policy

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October 2020

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Version 2.5

*Supersedes all previous Compliance Policies regarding this subject matter*

Leucadia Investment Management Limited

## I. INTRODUCTION

As required by the Markets in Financial Instruments Directive II ('MiFID II'), this document (the "Policy") sets out Leucadia Investment Management Limited's ("LIML") Order Execution Policy and arrangements for complying with the obligation to take all sufficient steps to obtain the best possible outcome for orders submitted to brokers on behalf of their underlying clients (so called 'best execution').

## II. SCOPE

LIML is required to put in place an Order Execution Policy, and to take all sufficient steps to obtain the best possible outcome for its clients when submitting orders to brokers for execution on their behalf. These orders, deemed portfolio management orders, will generally arise as a result of decisions made by LIML to deal in financial instruments on behalf of their clients.

A client's regulatory classification, as detailed below in section IV, impacts the determination of whether a client is 'legitimately relying' on LIML to protect their interests, and as such whether best execution is owed by LIML to those underlying clients.

When submitting orders to brokers on behalf of its underlying funds and managed accounts, LIML will always be acting as agent for those underlying funds and managed accounts. Therefore, the best execution obligation will always be deemed to apply to LIML.

## III. TRADING STRATEGIES AND INSTRUMENTS TRADED

LIML's investment strategies are as follows:

### **Pendeen:**

**Merger Arbitrage** - Merger arbitrage has historically been a "hold to completion" strategy with managers making full capital allocations early in the deal timetable creating limitations on increasing investments opportunistically. The "Financial Crisis" highlighted the limitations of this investment style. The Manager approaches merger arbitrage from the premise that a merger situation is a relative performance event governed by a structured, regulated agreement and a definable timetable. As such, there will be multiple investment opportunities in the course of the transaction that present attractive risk adjusted opportunities to enter and exit the event. The Manager believes that merger arbitrage needs to be a more active investment strategy than the "passive" allocation investment methodology that has historically occurred.

**Relative Value** – Relative value constructs a portfolio of investments incorporating both long and short equity exposure. The Relative Value strategy invests in situations where there are identifiable relationships between securities, incorporating, but not exclusively, holding company structures, share class trades, dual listed companies and stub trades. These situations allow the managers to invest in combinations of securities where the relationship is definable and the value is generated by the relative movement in the combination of securities involved, which have limited exposure to broad market movements. Relative Value investments do not have defined timetables for value realisation. The strategy assumes that the investments involve will diverge and revert to a historical mean, providing clear trading ranges for entry and exit from investments. Managers will maintain multiple investment combinations to diversify risk and, generally, will rotate capital within this strategy more actively than Merger Arbitrage

**Stock Loan Arbitrage** – Subject to the structure of transactions, the control of election alternatives will accrue to the holder of stock on a specified record date. The control of this election process provides an opportunity to generate revenue which involves limited market risk, low capital usage and high returns on capital. The ability to capture such opportunities is a function of an ability to borrow securities, an in-depth understanding of the mechanics of a corporate event, and the ability to efficiently execute market hedges to eliminate risk and capture value. The Manager actively traded this strategy in a propriety trading desk for many years, generating returns that provided strong enhancement to the Manager's activities in Merger Arbitrage and Relative Value.

**Sikra Capital:**

**European Catalyst-Driven Long/Short Equity** - The strategy invests in catalyst-driven equity opportunities globally, with a primary focus on European markets and situations. The objective is to generate absolute returns by investing in listed securities where profit is generated by idiosyncratic price moves. The strategy runs a low net exposure where returns are not dependent on the general economic environment and demonstrate low correlation to broader equity indices. The strategy seeks to achieve the objective through rotation of capital into attractive risk-adjusted investment opportunities

In achieving the above trading strategies, LIML Portfolio Managers are mandated to trade in the following financial instruments: Cash Equities (including but not limited to shares, depository receipts, ETFs, bonds, convertible bonds, warrants etc.); OTC derivatives (including but not limited to FX spot, FX forwards, non-deliverable FX forwards, swaps etc.) and listed derivatives (including but not limited to single stock futures, index futures, bond futures, single stock options, index options).

**IV. WHAT TYPE OF CLIENTS DOES BEST EXECUTION APPLY TO**

A client's regulatory classification, as detailed below, impacts the determination of whether a client is 'legitimately relying' on LIML to protect their interests, and as such whether best execution is owed.

- **Professional Clients:** Where a professional client 'legitimately relies' on LIML to protect its interests in relation to pricing and / or other important elements of a transaction, then the best execution obligation will apply. As LIML always deals as agent for funds and managed accounts, and these may contain professional clients, best execution will always be owed.
- **Retail Clients:** LIML does not accept investments from retail investors.

**V. ORDER EXECUTION FACTORS**

In order to achieve the best possible result, LIML will take into account the following factors (referred to subsequently as the "execution factors"):

- The price at which the order could be executed;
- The costs that will be payable as a result of execution of the order;
- The speed of the execution and settlement of the order;
- The likelihood that the order will be executed and settle;
- The size of the deal;
- The nature of the deal; and
- Any other consideration relevant to the execution of the order.

Price achieved will be LIML's primary focus for the majority of orders executed.

In some circumstances, LIML may determine, using its commercial experience that other 'execution factors' are more important than price in achieving the best result. In determining the relative importance of the 'execution factors' for each individual order, LIML will consider the characteristics of the financial instrument involved and the characteristics of the brokers to which the order can be directed.

**VI. SELECTING BROKERS**

LIML selects brokers with execution arrangements that will enable it to obtain on a consistent basis the best possible result for its underlying clients.

A list of the brokers used by LIML is set out in Appendix 1 to this Policy (Broker Information). The list is not exhaustive, and LIML may pass orders to other brokers so long as such brokers are appropriate and consistent with its order execution policy. This Policy, including the list of brokers, can be found on the Leucadia corporate website ([www.leucadia.com](http://www.leucadia.com)) under the LIML Disclosures tab.

The list may change over time to reflect the results of LIML's monitoring and review process detailed in section VII below.

Broker selection has an important role to play in the LIML best execution process. The following criteria will be considered when selecting the appropriate broker(s) for submitting order to.

- Confidentiality of trading activity;
- Front Office Communications - reliable and appropriate updates on order status and market movements. Accurate and timely confirmation of completed executions;
- Verification of order instructions;
- Trade flow and the ability to offer sizeable blocks, broker's ability to handle difficult trades;
- Specific expertise – regional, regulatory or other; and
- Operational Efficiency - timely settlement of trades; responsive operations teams; and the swift resolution of issues.

In some circumstances, LIML may determine, using its commercial experience, that other 'execution factors' are more important than price in selecting broker(s) in order to achieve the best possible result. In determining the relative importance of the 'execution factors' for each individual order, LIML will consider the characteristics of the financial instrument involved and the characteristics of the brokers and execution venues to which the order can be directed.

## VII. MONITORING AND REVIEW

On an on-going basis, LIML Business Management monitors adherence to, and the effectiveness of, the LIML Order Execution Policy to ensure that it continues to enable it, on a consistent basis, to obtain the best possible result when executing orders and to determine whether it needs to make any changes.

This review and monitoring is undertaken by LIML Business Management in conjunction with Portfolio Managers / Traders. Whilst LIML's Best Execution / Execution Monitoring Procedures' document details such ongoing monitoring, a summary of this is as follows:

Business Management continuously monitors and reviews the top ten paid brokers and discusses the front to back service LIML receives from these brokers.

In addition to price and liquidity information and amongst others, Business Management will consider the following factors when reviewing the top ten paid brokers:

- Front Office Communications – Reliable and appropriate updates on order status and market movements. Accurate and timely confirmation of completed executions;
- Verification of order instructions;
- Trade flow and the ability to offer sizeable blocks;
- Specific expertise – Regional, Regulatory or other; and
- Operational Efficiency: Timely settlement of trades; responsive operations teams; and the swift resolution of issues.

In some circumstances, LIML may determine, using its commercial experience, that other 'execution factors' are more important than price in achieving the best possible result. In determining the relative importance of the 'execution factors' for each individual order, LIML will consider the characteristics of the financial instrument involved and the characteristics of the brokers and execution venues to which the order can be directed.

Daily and weekly spot checks are also undertaken by Compliance to ensure that it can be demonstrated that the requirements of this policy are being met.

LIML formally reviews both its order execution arrangements and this Policy at least annually or when a material change occurs that may affect its ability to continue to deliver best execution to its underlying clients. Changes to this Policy and the list of brokers will be notified to you through the Jefferies corporate website ([www.jefferies.com](http://www.jefferies.com)) and be available to current and prospective clients. Where a client makes a reasonable and proportionate request for information about LIML's policies and arrangements in relation to best execution and how they are reviewed, we will answer clearly and within a reasonable time period.

LIML will publish the following Best Execution report on its public website:

- RTS 28 – The top 5 execution venues by product type and a summary of the analysis drawn from the monitoring of execution quality obtained during the preceding year.

## **VIII. AFFILIATED BROKER-DEALER**

LIML's ultimate parent company, Jefferies Financial Group Inc. controls numerous operating entities including U.S. and U.K. broker-dealers. If LIML were to trade with a Jefferies affiliated broker-dealer, this would be on an arm's length basis as if it were an external client. LIML expects to trade through Jefferies affiliated broker-dealers only in very rare and seldom situations. Any and all services must be agreed and carried out in a proper and arm's length basis (without a person being responsible for both entities).

Trading (including secondary placings) with an affiliated broker/dealer is only permissible when prior approval has been granted by LIML's Chief Operating Officer and Chief Compliance Officer.

Additional Board approval is required with regard to Master Funds:

- Sikra Capital Master Fund, Ltd.

## **IX. FINRA RULE 5130**

LIML has been appointed as portfolio manager to its US affiliate, Jefferies Investment Advisers LLC, which is SEC registered and acts as the fund manager. LIML is generally prohibited in partaking in US Equity new issuances (save for exemptions permitted by FINRA Rule 5130 e.g. SPACs). Participation in any Equity new issuances, both US and non-US is only permissible when prior approval has been granted by LIML's Chief Operating Officer and Chief Compliance Officer.

## **X. CONSENTING TO THE POLICY**

LIML is required to obtain your prior consent to the Order Execution Policy and you will be deemed to consent to it if you continue to retain its services.

## **XI. CONTACT DETAILS AND FURTHER INFORMATION**

If you have queries about LIML's Order Execution Policy, please contact Charles Hillier (Tel: 020 7029 8992; email: [chillier@leucadiaim.com](mailto:chillier@leucadiaim.com)). Where you make a reasonable and proportionate request for information regarding our policies and arrangements and how they are reviewed, we will answer clearly and within a reasonable time period.

**APPENDIX I – BROKER INFORMATION**

<p><b><u>MARKETS:</u></b></p> <p>Developed European, North American and Asian equity markets.</p> <p><b><u>INSTRUMENTS:</u></b></p> <p><b>Cash Equities:</b></p> <p>Listed Single Stock Securities</p> <p>Listed ETFs</p> <p>Listed Depositary Receipts – ADRs / GDRs / IDRs</p> <p>Listed Warrants</p> <p>Listed CVRs (Contingent Variable Receipts)</p> <p><b>Derivatives:</b></p> <p>Exchange Listed Index Options</p> <p>Exchange Listed Single Stock Options</p> <p>Scrip Dividend Options</p> <p>Exchange Listed Index Futures</p> <p>Exchange Listed Single Stock Futures</p> <p>Exchange Listed Dividend Futures</p> <p>OTC Options</p> <p>OTC Equity Swaps (Total Return Swaps)</p> <p><b>Fixed Income:</b></p> <p>Convertible Notes and Bonds</p> <p><b>Foreign Exchange:</b></p> <p>Spot / Forward Foreign Exchange</p> <p>Foreign Exchange Swaps</p> <p>Non-Deliverable Forwards</p>	<p><b><u>BROKERS:</u></b></p> <p><b>Major brokers include, but are not limited to:</b></p> <ul style="list-style-type: none"> <li>• ABG Sundal Collier</li> <li>• AltaCorp Capital Inc</li> <li>• Aviate Global</li> <li>• Banca IMI</li> <li>• Banco Santander</li> <li>• Berenberg</li> <li>• BMO</li> <li>• BoA Merrill Lynch</li> <li>• BTIG</li> <li>• Canaccord Genuity Limited</li> <li>• Carnegie Investment Bank AB</li> <li>• Churchill Capital</li> <li>• CM-CIC Securities</li> <li>• Credit Suisse</li> <li>• CRT Capital Group LLC</li> <li>• Deutsche Bank London</li> <li>• EXANE Client Service</li> <li>• Forsyth Barr</li> <li>• Instinet</li> <li>• Investec</li> <li>• Investment Bank of Greece</li> <li>• Jefferies International Limited</li> <li>• JP Morgan</li> <li>• Kepler Cheuvreux</li> <li>• Macquarie</li> <li>• MainFirst AG</li> <li>• MAXIM Group</li> <li>• Mediobanca</li> </ul>
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	<p><b><u>BROKERS (CONT'D):</u></b></p> <ul style="list-style-type: none"><li>• MKM Partners</li><li>• Morgan Stanley</li><li>• New Albion Partners</li><li>• Numis Securities Limited</li><li>• Oppenheimer</li><li>• Piper Jaffray Ltd</li><li>• R.W.Pressprich &amp; Co.</li><li>• RBC Europe Limited</li><li>• Religare</li><li>• SEB (Skandinaviska Enskilda Banken)</li><li>• Societe Generale</li><li>• Tavira</li><li>• The Seaport Group Europe LLP</li><li>• UBS AG</li><li>• United First Partners</li><li>• Vantage</li><li>• XBZ Limited</li><li>• XFA Global Ltd</li></ul>
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