

## VERITAS ASSET MANAGEMENT (UK) LIMITED

### BROKERAGE & COMMISSION POLICY

#### Broker Selection

Factors considered in selecting brokers used and the reasonableness of their commissions includes the following:

- Execution ability
- Administration and settlement ability
- Quality of research produced
- Specialist research skills
- Quality of information services
- Quality and frequency of client contact
- Ability to deal in specific markets
- Financial Strength

Veritas' objective in selecting brokers and dealers in order to effect transactions for its clients is to seek to obtain the best combination of price and execution with respect to each transaction. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

The factors include, but are not limited to: Veritas' knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker-dealer selected and others which are considered; Veritas' knowledge of actual or apparent operational problems of any broker-dealer; the broker-dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

#### Broker Review

Veritas maintains a list of Authorised Brokers and the commissions paid which is reviewed on a quarterly basis by senior management.

#### Variations in Commission Rates

Commissions payable for deals carried out vary considerably from market to market where in some cases they are calculated on a set scale and in others they are negotiable. Veritas endeavours to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its clients.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help Veritas in providing investment management services to clients. Veritas may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Veritas has entered into commission sharing arrangements with UBS, Sinopac Securities and Citigroup in order to facilitate the purchase of research services. These are as follows;

- UBS to purchase research from Vista Research, a company used by the Global Desk to provide access to specialist research in particular fields. This is predominantly used for investment ideas in the pharmaceutical sector.
- UBS to purchase research from BCA, a company which provides a macro-economic research service which is used firm wide.
- Sinopac Securities to purchase research from Starmine, a company which provides earnings upgrades and downgrades for Asian companies. This is used by the Asian desk
- Citigroup to purchase research from New Street Research, a company which provides research and investment ideas on the Telecommunications sector. This is used by the Global Desk.

## **Research/Execution Policy**

When appropriate under its discretionary authority and consistent with any duty to obtain best execution, Veritas may direct brokerage transactions for client accounts to broker-dealers who provide Veritas with research services.

Broker-dealers typically bundle research and execution services with the execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by broker-dealer).

Veritas use dealing commission that is charged by brokers to purchase goods or services that are related to the execution of trades on behalf of its customers and comprise the provision of research. In determining whether goods or services qualifies as research Veritas

evaluates whether the service or product will reasonably assist it in the provision of its services to its customers on whose behalf the order is being executed and do not, and is not likely to, impair compliance with the duty of the Investment Advisor to act in the best interest of its customers.

The receipt of research benefits Veritas by allowing Veritas, at no cost to it, to supplement its own research and analysis activities, to receive the views and information of individuals and research staffs of other securities firms, and to gain access to persons having special expertise on certain companies, industries, areas of economy and market factors. Research services acquired may include reports on the economy, industries, sectors and individual companies or issuers; statistical analyses; accounting and tax law interpretations; political analyses; reports on legal developments affecting portfolio securities; credit analyses; risk measurement; and analyses of corporate responsibility issues. Execution services may include market trading information and on-line quotation and trading systems.

Research obtained may not be utilised by Veritas for the specific client portfolio that generated the commissions. Veritas does not usually attempt to allocate the relative costs or benefits of research among client portfolios because it believes that, in the aggregate, the research it receives benefits clients and assists Veritas in fulfilling its overall duty to its clients.

Veritas does not charge any commission on trades but passes the charges levied by brokers directly to its clients. These charges vary from broker to broker and are itemised on the contract notes, if the client has elected to receive these. The average split for the Brokers used by Veritas is 45% for execution services and 55% for research services.

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