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## **Best Execution and Broker Selection Policy**

**Date:** May 2026

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## 1 Introduction

As prescribed by the Code of Conduct for Persons Licensed by the Securities and Futures Commission (the “SFC”), a licensed corporation is required to execute client orders on the best available terms to deliver best execution. This Order Execution Policy (“Policy”) has been put in place by Global Investment Strategy HK Limited (“GISHK” or the “Company”) to ensure that we meet this requirement.

GISHK is an execution broker, we routinely place orders to buy and sell listed securities as well as fixed income products on behalf of clients. This Policy sets out the requirements that must be followed by employees who execute orders for our Clients.

We execute orders for our Clients in one of the following ways:

- We place the order via direct market access system provided by a service provider.
- We place the order via electronic fix with a broker who offers execution algorithms whereby we select the appropriate algorithm without human intervention.
- We place the order (either via a recorded messaging system, electronic fix or voice over the phone) with a sales trader from a broker with trading instructions. The broker may execute the trades on a principal or agency basis.

## 2 Policy Statement

It is the policy of the Company to take all reasonable steps to obtain the best possible result for our Clients taking into account the execution factors listed in section 4.1 below. We will determine the relative importance of the execution factors by reference to circumstances at the time of execution of the order and taking into account the execution criteria as set out in section 4.2 below.

## 3 Governance and Management

### 3.1 Owner of Policy

The owner of this policy is Sander Bake who is the Head of Trading of the Company.

This policy will be reviewed:

- before we launch a new fund or take on a managed account;
- at least, annually.

Changes to the policy must be approved by the Board.

### 3.2 Best Execution governance

Within the Company, the process of implementing this Policy is the responsibility of the Head of Trading whose activities are directed, overseen and reviewed on a regular basis by the Compliance Committee. The Compliance Committee is comprised of representatives from Sales and Trading, Legal and Compliance, as well as Risk and Control functions. The Compliance Committee meets on quarterly basis to monitor a number of compliance issues including best execution performance.

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The Head of Trading will provide reports to the Compliance Committee identifying breaches of this Policy and the steps taken to rectify such breaches. The Compliance Committee is also responsible for ensuring that this Policy is reviewed/updated, that relevant staff are trained in best execution arrangements and that information provided to the funds, investors and regulators is complete and accurate.

The Compliance Committee may review, analyse and discuss a number of items, including, but not limited to:

- the commission rates charged by executing brokers;
- front office assessment of brokers related to the services provided by the executing brokers other than execution (i.e., research or other services used);
- reasons for broker selection (i.e., research, execution only, etc.);
- trader broker best execution assessment;
- potential conflicts of interest e.g. soft dollar arrangements;
- reasons for trades concentrated on single broker; and
- available transaction analysis: slippage and transaction costs.

At the end of each meeting, a designated member of the Compliance Department will document and retain a brief summary of the respective meeting.

## **4 Execution Factors and Criteria**

### **4.1 Execution factors**

GISHK is an execution broker that deal with listed equity and fixed income product. When executing orders for client, we will take into account the following execution factors:

- Price (this covers not just price but transaction cost);
- Speed of execution;
- Likelihood of execution;
- Speed of settlement;
- Likelihood of settlement;
- Size of order;
- Nature of order (e.g. limit order, stop order, stop-loss order, algorithm use); and
- Any other consideration relating to the execution of the order.

### **4.2 Execution Criteria**

In determining the relative importance of the execution factors above, we will take into account a number of factors which we will refer to as the execution criteria. **In general, we expect price to be the prioritised execution factor after taking into account of the execution criteria.** The execution criteria are:

- the client (for e.g. in the case of the discretionarily managed accounts, whether the client has specific requirements on execution factors);
- the nature of the order (for e.g. the size of the order in relation to the liquidity of the instrument);
- the investment rationale for the order (e.g. whether the order was placed on the back of temporary mispricing);
- the financial instruments which are subject to the order (e.g. the price of the underlying index of an ETF); and
- the execution venue to which the order can be directed.

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However, it is important to note that in certain circumstances, as in the case for (i) less liquid securities or financial instruments, (ii) volatile market conditions, and (iii) other detrimental factors, the importance of the above execution factors may be reassessed and afforded more weight to achieve the best outcome for our clients.

## 5 Assessment of Best Execution

The Company will assess executions conducted against the execution factors which have been prioritised by looking at a combination of quantitative and qualitative benchmarks. Given that price will almost always be the prioritised execution factor, the focus in this section will be on benchmarks relating to price.

### 5.1 Price

The execution price achieved for each order should be measured against one of the following benchmarks depending on the type of instructions placed prior to order execution:

#### Listed Equities

- **Volume Weighted Average Price (VWAP).** This should be the default benchmark used for measuring the execution price achieved for all orders sent unless otherwise specified.
- **Implementation shortfall.** This benchmark should be used for orders which are placed.
- **Opening Price.** This benchmark should be used for orders which are placed.
- **Closing Price.** This benchmark should be used for orders which are placed.
- **Transaction Cost Analysis.**

#### Fixed income product

Relevant benchmarks:

- Multi-dealer quotation benchmarks
- Independent evaluated pricing sources
- Last traded price / recent comparable trades
- Yield-curve or spread-based benchmarks
- Electronic platform reference prices (where applicable)

### 5.2 Other Execution Factors

With respect to other execution factors such as speed of execution, size of order, nature of order to be submitted, likelihood of execution and settlement, etc., the assessment of whether or the extent to which the executions factors have been met will be made on an exceptions basis only. This means where orders executed for clients fail to meet the standards based on market norms, the staff responsible for the execution will record and document such an assessment. For example, undue delay in the execution.

The Company conducts pre-trade monitoring and post-trade monitoring to ensure best execution. The Company uses post-trade report to compare execution results against certain benchmark (e.g., VWAP) to help achieve best execution. When placing order with the affiliate company, the Company should also conduct pre-trade and post-trade monitoring to ensure the affiliate company deliver best execution.

## 6 Broker Selection and Monitoring

In certain scenarios the Company will pass an order to a third-party Broker to execute. To achieve best execution consistently we select the right broker, algorithm and venue if relevant. When selecting executing brokers, the

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Company considers a variety of trade and operational related factors. Brokers will be subject to initial due diligence and ongoing bi-annual review regarding the following factors:

### **6.1 Initial due diligence factors**

- Range of products offered
- Market access
- Cost of execution to the Company
- Disciplinary actions taken by the regulators in respect of execution related issues
- Arrangements put in place by the third-party brokers to fulfil their obligation to deliver best execution
- Confidentiality provided
- Algorithmic Trade Offerings
- Broker electronic trading platform security (access security, integrity protection and availability)
- Competitiveness of commission rates and spreads
- Reputation for handling complex orders
- Specialized expertise in handling orders in certain bespoke instruments
- Clearance and settlement capabilities
- Broker financial stability
- Research provided
- The operational facilities of the brokers (electronic trading platforms and back-office facilities)
- The ability to handle a block order for securities and distribution capabilities

### **6.2 Ongoing bi-annual review**

The Company conducts broker monitoring on a bi-annual basis covering a number of factors including quality of execution, broker commission to date, top N brokers by % of total transactions and other qualitative factors.

As minimum the following factors are assessed for brokers by the front office and operations staff as a qualitative assessment and made available for oversight by the Compliance Committee:

#### **Quantitative factors specific to broker best execution:**

- Meeting the benchmarks for price as an execution factor
- Handling large orders
- Settlement Speed
- Trade Execution Quality Evaluation
- Trade Commission Expectation Met

#### **Broker qualitative service factors**

- Broker provided evaluations of execution quality
- Quality of Research
- Trading ideas / advice
- Counter-party (credit risk) Level
- Client Communication with the Firm

## **7 Record Keeping**

The Company should properly document the due diligence conducted during broker selection and bi-annually review, and other relevant documents that demonstrate best execution.

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## **8 Staff Training**

The Company conducts best execution-related induction training for new staff, including staff from the control functions. Their training covered best execution policy, order handling procedures and conflicts of interest.