Hathaway Investment Management Limited (HIML)

EUROPEAN UNION REGULATORY TECHNICAL STANDARD 28

Report for the year ended 31-12-2020.

This latest regulatory standard, requires us to publish a report, covering last year, addressing the material set out in Article 3, Section 3 of those provisions; in summary, it is based on our trades over the course of last year although, as ever, since the capital markets operate to move money from the active to the patient, we purchased and sold few securities – just as our team has behaved for 27 years.

Our report reflects our *Order Execution Policy* and we believe we meet its standards while, as background, we are acutely aware of the vanishingly low *capital growth* from the stock market this century *(dividends* and their growth are centre stage), the corollary of which is to say that trying to shave a few *basis points* off a transaction cost, will make only a trivial difference to your investment outcomes.

Equally though, one of the *compound interest model* factors is to start as low as possible so, for completely different reasons, we are *very* aware of the necessity of obtaining good prices when buying stock.

Accordingly, we attach great importance to *execution factors* when building a position and what we look for in a successful trade and/or stockbroker is the achievement of a truly remarkable price under the prevailing circumstances; our agents/their sub-contractors didn't disappoint in 2020.

As an example: while we never buy securities at an *initial public offering*, we do undertake agency crosses, whereby we buy a special *tranche* of stock from a private seller and for that we need – just as with our general operations in the stock market – a broker with reach...; although we trade rarely, because we always buy or sell in quantity, we always expect best execution.

Furthermore, as we only perform operations in truly liquid securities in the main capital markets, we don't consider it necessary to consider the "probability of execution"; we only expect to employ arbitrage mathematics when arbitraging...

Accordingly, our emphasis is on *substance* not *form* and so we attach far greater importance to our execution set up and the accuracy of our agents' corresponding arrangements than we do to, say, to the speed with which trades are reported to us...

For that reason, we prefer our two stockbrokers rather than a panel and we have relationships of 27 and 19 years respectively; equally, to underline those high-grade arrangements, we have no special payment terms.

Finally, we don't wish to run the risk of misleading investors into thinking that we are a much larger firm than we are by describing our "top five brokers" (having procured them) etc.; we treat all our transactions with the care we afford our private clients, but we don't believe that *treating customers fairly* would be best achieved, even if it were possible, by such an analysis or development.

Accordingly, we expect no change to our set up in the foreseeable future, but we do check our agents' performance continually against our live price feed etc., all telephone calls are recorded.

Our analysis & conclusions:

To summarise the above notes:

- We place greatest emphasis on *price* when placing orders and, where multiple tranches are involved, a timely dialogue with our agents…

- We have no close links whatsoever – common ownership etc. - with any execution venues, nor do we have any special arrangements with them.

- There were no changes of venue in the year.

- Order execution is the same for both categories of client (private and institutional)

- *Cost* of execution for retail clients, comes third after price and a consideration of the efficiency of a stockbroker's operation etc.

- We have no consolidated tape provider but monitor the quality of execution by continuously examining deal tickets and their corresponding contract notes.

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April 2021