

At Small Complex, Order Routing Is Dictated by Cost

By Whitney Curry Wimbish, *BoardIQ*, June 6, 2017 [subscription required]

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While most fund complexes say that many components go into determining best execution of trades, one small family says it's all about the bottom line.

In a recent disclosure, **Rareview Funds** sets out its philosophy on best execution.

“The adviser seeks to achieve best execution when placing orders for securities. The adviser must execute transactions so that the total cost or proceeds are the most favorable when all circumstances are considered,” the disclosure states.

The adviser's investment team responsible for placing orders “may only execute trades with approved broker-dealers and maintains the responsibility for ensuring that best execution is achieved,” it continues, adding that, if an approved broker-dealer fails to provide best execution, it may be struck from the list.

Rareview has long made this disclosure – the filing was prompted by a change to its approach towards soft dollars, which is described later in the document. But it is useful for directors to note, experts say, because it outlines cost as the main consideration when routing trade orders, instead of counting it as one of many factors as most fund complexes do.

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The Rareview filing also highlights the usefulness of clear and specific disclosure, says Niels Holch, a founding partner of **Holch & Erickson** and the executive director of the Coalition of Mutual Fund Investors. It's not immediately clear in the filing whether cost is the absolute factor when determining best execution, he says.

“I read it as a best effort standard, but I must say, I wouldn't have drafted it this way if I was trying to convey that cost is not the most important factor,” he says.