



Annual Trade Execution Report

Year ended 31 December 2019

April 2020

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1. Introduction

The second Markets in Financial Instruments Directive and associated delegated regulations (“MiFID/R”) requires that investment firms report on the quality of execution and the top five execution venues used by class of financial instrument traded on an annual basis. The contents of this report and the trading data provided are published to meet the requirements prescribed by Article 3(3) of Regulatory Technical Standard 28 (“RTS 28”) of MiFID/R for the year ended 31 December 2019.

2. Report Contents

In summary, RTS 28 requires that this report covers the following matters for each class of financial instrument traded:

- An explanation of the relative importance that the investment firm gave to the following factors when considering the quality of execution: Price, costs, speed, likelihood of execution, likelihood of settlement and other factors.
- A description of any close links with execution venues and the conflicts of interest arising.
- A description of any specific arrangements with execution venues with regards to payments made or received, discounts or rebates received, or other non-monetary benefits.
- An explanation of factors that led to a change in the list of execution venues listed in the firm’s Order Execution and Placement Policy.
- An explanation of how order execution differs according to client classification.
- An explanation of other criteria given precedence over price when dealing with retail clients.
- An explanation of how the investment firm has used any data or tools relating to the quality of execution. Including the data in RTS 27, which relates to the trading reports published by counterparties under MiFID/R.
- An explanation of how the investment firm used the output of the consolidated tape provider.

3. The Trading Data

Portfolio management firms both execute orders with counterparties and also place orders with those counterparties for onward execution, on behalf of their clients. Execution occurs where the portfolio management firm executes an order directly via an execution venue, whether a trading venue, such as a Regulated Market or a Multi-lateral Trading Facility (“MTF”), or a counterparty. Placement occurs where the portfolio management firm places an order with a counterparty, a broker, for them to execute it on the portfolio management firm’s behalf.

Portfolio management firms are required to report on both execution and placement. The requirements envisage two sets of trading data, one reporting executions, the “RTS 28” data, and the other reporting placements, the “Article 65” data, which refers to Article 65 of the delegated regulation.

We execute some financial instruments on trading venues, such as FXall or Tradeweb, with counterparties on a request for quote (“RFQ”) basis. This presents the issue as to whether to report the trading venue or the counterparty to the trade. Our view is that disclosing both parties represents a more accurate disclosure of our execution process than disclosing one or the other. In addition, our view is that it would be confusing to disclose trading venues and counterparties in the same report. As a result, we report the trading venues we have utilised in one report, “Trading Venue Data”, and the counterparties we have executed with or placed orders with in another, “Counterparty Data”. The counterparty data includes the following:

- The counterparties we have executed with, where we have executed on a trading venue.
- The counterparties we have executed with directly, outside a trading venue.

- The counterparties we have placed orders with them either by “voice”, “message” or algorithm, for them to manage the onward execution.

To illustrate this, in Appendix 2 we have indicated whether we typically trade by “execution” or “placement” for each of the financial instruments we trade.

Both the Trading Venue Data and the Counterparty Data sets cover all the financial instruments listed in RTS 28, if we have traded them, and these are listed in Appendix 1 to this report.

The regulations require that we disclose if on average we have traded less than one trade per day during the year. The instrument types where this was the case were “Commodity derivatives – Other commodity derivatives” and “Securitized derivatives - Warrants and certificate derivatives”.

In addition, RTS 28 requires the reporting of whether executions were passive, aggressive or directed. As we do not trade on the order books of exchanges directly we do not believe our orders meet the definitions of passive or aggressive and therefore it is not possible to report this information.

In addition, whilst our clients do not direct our Traders to trade on specific execution venues in respect of individual trades, clients may tie execution to a particular counterparty for all trades. This is sometimes the case for foreign exchange where execution is tied to the custodian or exchange traded derivatives where execution is tied to the clearing broker. We have reviewed this data, and the numbers have a negligible overall impact on our choice of counterparties. That is, no counterparty is included in the top five as a result of the volume of tied trades. However, there are times during the year that any one client portfolio may have a limited choice of counterparties available because the requisite legal documentation between the client and counterparty are not in place.

For some instruments we trade with more than one legal entity within a counterparty group. However, for this report we report based on Legal Entity and therefore LEI.

The data sets are expressed in percentage terms, representing the percentage of the total volume traded, in that instrument, that was traded with the execution venue reported.

The liquidity bands are set in accordance with the average daily number of trades done in that security. We have used averages for the year 2019.

4. Coverage

This report and the trading data cover the trading activity of our asset management business in the EEA. This activity is undertaken by Schroder Investment Management Limited (“SIM Ltd”). Certain other EEA entities, listed below, may rely on SIM Ltd to execute their orders. Therefore the report and the trading data covers the trading activity for the mandates managed by the following entities, when executed by SIM Ltd:

- Schroder Investment Management Limited
- Schroder Investment Management Limited (Dubai Branch)
- Schroder Investment Management North America Limited
- Schroder Investment Management North America Limited (Singapore Branch)
- Nippon Life Schroders Asset Management Limited
- Schroder Real Estate Investment Management Limited

In the case of Schroder Investment Management North America Limited (Singapore Branch) in the normal course of business it places all of its orders with Schroder Investment Management (Singapore) Limited.

5. General Disclosures

RTS 28 requires commentary or disclosure in the following non-instrument specific areas:

- We do not have any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders and we do not trade with affiliated companies. Our conflicts of interest are disclosed in section 10 of our Order Execution and Placement Policy.
- We do not have any specific arrangements with any execution venues with regards to payments made or received, discounts or rebates received, or other non-monetary benefits. The explicit costs of execution are discussed in section 9 of our Order Execution and Placement Policy.
- Our order execution arrangements do not differ according to client categorisation. All of the clients covered by this report are classified as professional.
- We have reviewed a sample of the RTS 27 trading venue data published by our counterparties but we have been unable to find any value in it at present and therefore it has not been incorporated into our current execution review procedures.

A description of our trading governance framework and a summary of our use of transaction cost analysis (“TCA”) is included in sections 8 and 9 of our Order Execution and Placement Policy. We use TCA to review execution across equities, fixed income and foreign exchange instruments and where TCA is not available we have alternative oversight and review processes in place.

Where our TCA data includes the trading data relating to the underlying execution venues that a counterparty has utilised to execute our orders we review this when considering the counterparty's execution performance. In addition, we discuss our counterparties' execution processes and the execution venues they utilise in the regular meetings we have with them.

- At present there is no consolidated tape provider and therefore we have not used consolidated tape data in our execution arrangements.

6. Execution Reports

The following reports provide a qualitative description of our trading activity during 2019 and the top five counterparties and trading venues used, where applicable, based on the principal amount traded. The report is aligned to the structure of our Order Execution and Placement Policy and is set out in the following order:

- Equities and related securities
- Fixed Income and related securities
- Exchange traded derivatives
- Over the counter derivatives
- Foreign exchange

6.1 Equities and related securities

6.1.1 Equities – shares and depositary receipts

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Liquidity Band 1&2				
Goldman Sachs International	W22LROWP2IHZNBB6K528	1	19.69%	20.04%
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	2	15.84%	11.59%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	3	11.90%	15.07%
UBS AG	BFM8T61CT2L1QCEMIK50	4	8.35%	10.08%
Renaissance Capital Limited, London	213800RZ3GCUXMBGYN59	5	7.27%	5.48%
Liquidity Band 3&4				
Virtu ITG Europe Limited	213800EEC95PRUCEUP63	1	12.33%	16.66%
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	2	8.48%	8.41%
Liquidnet Europe Limited	213800ZIRB79BE5XQM68	3	8.33%	8.17%
UBS AG	BFM8T61CT2L1QCEMIK50	4	7.62%	9.33%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	5	7.14%	7.47%
Liquidity Band 5&6				
Virtu ITG Europe Limited	213800EEC95PRUCEUP63	1	16.77%	28.44%
Goldman Sachs International	W22LROWP2IHZNBB6K528	2	15.30%	11.70%
UBS AG	BFM8T61CT2L1QCEMIK50	3	9.65%	10.45%
Liquidnet Europe Limited	213800ZIRB79BE5XQM68	4	7.97%	8.65%
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	5	7.93%	7.00%

Trading venue	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Bloomberg - Liquidity Band 1&2	1	100.00%	100.00%
Bloomberg - Liquidity Band 3&4	1	100.00%	100.00%
Bloomberg - Liquidity Band 5&6	1	100.00%	100.00%

Bloomberg was the only trading venue used during the year. However, it only accounted for c.0.01% of our equity executions in total as, in general, we do not place orders on trading venues directly.

The counterparties listed in the tables are very similar to those listed in 2018. The new counterparties listed in Liquidity Band 1&2 are Goldman Sachs and Renaissance Capital. Goldman Sachs has been a good performer in our trading algorithm assessment and selection process, resulting in additional orders and Renaissance Capital executed a very large order during the year. In Liquidity Band 3&4, Merrill Lynch are new due to an increase in the number of principal risk trades they have won and Liquidnet is new in Liquidity Band 5&6, as they have proved a successful venue for executing large block orders.

Our Order Execution and Placement Policy lists the counterparties on whom we place significant reliance. There are 15 listed for equities and the top 10 account for c.80% of our trading.

Whilst we use specialist brokers for certain types of stock, such as small and mid cap, or for certain regions, such as emerging markets, on the whole we trade with the large investment banking counterparties, and this is reflected in the top five counterparties by liquidity band. It is these banks that provide the algorithms; have access to most liquidity; and have the capital to execute as principal when necessary. We conduct regular reviews with the larger counterparties in order to discuss execution performance and the execution services they provide.

The list of counterparties on whom we place significant reliance has not changed during the year. However, changes to the entire list occurs on an ongoing basis as we add a new broker to access liquidity in a specific area. Local brokers in emerging markets and small cap specialists are examples. Equally, we would suspend brokers assessed as under performing. In addition, we review broker algorithm performance and add or remove them from the list we use.

Ordinarily the price, including implicit costs, has been the most important execution factor. However, at times the ability to obtain the best price is constrained by the timeframe prescribed to execute an order. As a result, speed and the likelihood of execution, for large average daily volume orders, were the most important execution factors. In these circumstances the best price available at the time remains the objective but by implication we miss the opportunity to execute the order over time in order to obtain a better overall price or more quickly in order to reduce market risk.

There are a number of parameters to consider when executing an order. These are specific to the order itself, such as a Fund Manager's specific instructions; the size of the order relative to the average daily volume in the stock at that point in time; the market conditions for the stock, its sector or the market generally; and factors that might impact the market during the period of execution.

Against this backdrop, and in the context of the execution factors, each order is assessed by the Trading Team to determine the relative importance of the execution factors. In addition, in the light of these parameters we determine whether the order should be executed predominately using "low touch" or "high touch" execution methods.

Low touch orders are executed electronically utilising crossing platforms and broker algorithms. Typically low touch executions have lower commission rates and therefore we favour these where we believe that the best combination of overall price and explicit costs can be achieved.

Ordinarily, an order is high touch when it is more likely to be difficult to locate liquidity. In which case electronic execution methods are either not available or they are likely to result in detrimental price movements or longer execution duration and market risk. High touch orders typically involve more Trader and counterparty time in order to research the market to locate natural liquidity or to negotiate risk prices, where the counterparty executes on a principal basis.

We use TCA analysis to monitor our equity trading performance. For highly liquid trades, where we execute using electronic trading methods, TCA gives an accurate indication of performance. Typically, for high touch trades there a less similar executions to compare a trade's performance to and therefore TCA analysis can become less effective. In order to mitigate this we use a variety of execution benchmarks. Execution quality is overseen by the Group Equity Trading Performance Oversight Committee.

6.1.2 Securitized Derivatives – Warrants and Certificate Derivatives/Other securitised derivatives

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
China International Capital Corp Ltd	5299000S3SWTT56QN67	1	50.70%	5.26%
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	2	24.52%	25.26%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	3	19.86%	28.42%
Deutsche Bank Aktiengesellschaft	7LTWFZYICNSX8D621K86	4	4.78%	12.63%

These products are sometimes referred to as delta one products, participatory notes or synthetic warrants. Currently we only use these products to access a very limited number of markets where our clients do not have access to the local market directly.

Overall the volumes traded are very low, being c.0.1% of the overall equity volumes traded.

Three of the counterparties are the same as last year. China International Capital Corp are new to the list as we used them to obtain some China related exposure.

The counterparties used were selected on the basis that they offer access to specific markets; their commission rates are competitive; and they pass our internal counterparty credit approval process. In addition, counterparty credit risk, being the likelihood of settlement, is an important factor as there is exposure to the issuer of the securitised derivative.

Delta one products are executed by placing the order with the counterparty product provider, who then execute the underlying stocks in the local market on an agency basis. We check execution quality against local market prices.

6.1.3 Contracts for difference

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Goldman Sachs International	W22LROWP2IHZNBB6K528	1	24.97%	27.01%
Virtu ITG Europe Limited	213800EEC95PRUCEUP63	2	23.99%	29.56%
UBS AG	BFM8T61CT2L1QCCEMIK50	3	11.43%	17.64%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	4	5.55%	5.63%
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	5	5.31%	2.98%

Three of the counterparties are the same as last year with HSBC and Merrill Lynch making it into the top five. There are no specific reasons for this other than these counterparties provided liquidity and competitive risk based executions during the year,

Where, as is the case in Europe, the execution is not tied to a mandate's prime broker, contracts for difference are traded in a similar way as cash equity trades. Therefore the top five execution venues are similar to the cash equity venues.

Given the order sizes are a relatively low compared with market volumes the overall price was the most relevant execution factor, although when trading to a specific point in time speed becomes more important.

We have access to all the major equity brokers and therefore our list has remained the same during the year.

Contract for difference execution is monitored using the equity TCA information and overseen by the Group Equity Trading Performance Oversight Committee.

6.1.4 Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Jane Street Financial Ltd, London	549300ZHEHX8M31RP142	1	44.89%	31.12%
FlowTraders BV	549300CLJI9XDH12XV51	2	15.25%	23.38%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	3	8.29%	6.98%
Commerzbank Aktiengesellschaft	851WYGNLUQLFZBSYGB56	4	6.70%	10.05%
Goldman Sachs International	W22LROWP2IHZNBB6K528	5	5.76%	1.95%

Trading venue	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Tradeweb	1	100.00%	100.00%

The tables above largely cover the execution of exchange traded funds. Some 30% of trading activity overall was executed on the trading venue listed.

HSBC, Commerzbank and Goldman Sachs were new in the top five primarily due to more competitive pricing on the larger trades.

The volumes we trade are relatively easily absorbed by the market and therefore overall price was the most important execution factor, although when trading to a specific point in time speed will become more important.

ETFs are typically traded on an RFQ basis either as a creation or redemption or as a principal trade with a counterparty willing to make a risk price. We monitor the win ratios of the brokers we use in order to determine which to select on an ongoing basis. Live bid and offer prices are quoted in the ETFs we trade and therefore we reference prices quoted to us against these prices.

Exchange traded funds execution is monitored using the equity TCA information and overseen by the Group Equity Trading Performance Oversight Committee.

6.2 Fixed Income and related securities

6.2.1 Debt instruments – Bonds

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Deutsche Bank Aktiengesellschaft	7LTFWZYICNSX8D621K86	1	10.17%	7.03%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	2	9.26%	8.59%
Barclays Bank PLC	G5GSEF7VJP5I7OUK5573	3	7.98%	7.58%
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	4	7.22%	7.34%
Goldman Sachs International	W22LROWP2IHZNBB6K528	5	7.08%	7.42%

Trading venue	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Tradeweb	1	71.24%	48.74%
Bloomberg	2	17.23%	22.57%
MarketAxess	3	11.53%	28.70%

The tables above cover our trading activity in government, supra-national and corporate bonds.

The top three are the same as last year, with Citigroup re-appearing and Goldman Sachs appearing in the top five. The data combines both government and corporate bond types and therefore the ranking can depend on the proportions of each traded. HSBC, Barclays, Citigroup and Goldman Sachs rank highly for both types of bond,

Some 74% (2018: 74%) of trading activity takes place on or is processed through the trading venues listed. Some of this trading activity is negotiated off venue but then arranged to be executed on venue with the counterparty.

The top five counterparties, which account for c42% (2018: c42%) of executions, have provided competitive low touch and high touch execution. Our Order Execution and Placement Policy lists the counterparty groups on whom we place significant reliance. There are 17 listed for fixed income and these account for c83% of executions. This list has not changed during the year.

Ordinarily the price, which includes implicit trading costs, has been the most important execution factor. However, there are occasions when the ability to obtain the best price is constrained by the requirement to execute quickly. As a result speed, the likelihood of execution and the size of execution have become the most important execution factors on occasion. In these circumstances the best price available at the time remains the objective but by implication we miss the opportunity to execute the order over time in order to obtain a better overall price.

The majority of bond executions are done with counterparties via the trading venues, Tradeweb and Bloomberg. These trading venues enable us to connect with a broad range of counterparties quickly and also facilitate straight through processing and therefore execution efficiency. Executions will be organised on a RFQ basis with counterparties competing for the execution. We rotate counterparties on a regular basis for low touch executions in order to continuously use those with the most aggressive pricing.

As we move into less liquid bonds, some government issues, corporate bonds and emerging market debt then we were more likely to have traded off trading venue. This is sometimes referred to as high touch execution as it involves more human interaction between Trader and counterparty. In this environment we placed more importance on the likelihood of execution and execution size. We are relying on the counterparty's capacity to take risk or access liquidity, whilst minimising information leakage. Developing robust relationships with counterparties and having an in depth understanding of their strengths has been essential for high touch executions.

We utilise the TCA provided by trading venues and a third party supplier to monitor our trading costs. We review TCA, counterparty performance and concentration at the Group Fixed Income Trading Performance Oversight Committee.

6.2.2 Debt instruments – Money markets instruments

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
MUFG Bank, Ltd.	C3GTMMZIHMY46P4OIX74	1	17.24%	11.84%
Credit Agricole Corporate & Investment Bank, London Branch	1VUV7VQFKUOQSJ21A208	2	14.02%	11.02%
DZ Bank AG, Frankfurt	529900HNOAA1KXQJUQ27	3	13.15%	9.60%
Cooperatieve Rabobank U.A., London Branch	DG3RU1DBUFHT4ZF9WN62	4	10.37%	8.43%
BNP Paribas	ROMUWSFPU8MPRO8K5P83	5	8.86%	7.33%

Trading venue	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Tradeweb	1	69.80%	78.24%
Bloomberg	2	30.20%	21.76%

The tables above cover our activity in government bills, certificates of deposit, commercial paper and term deposits.

Some 11% (2018: c33%) of trading activity takes place on the trading venues listed. The decrease is due to the increase in term deposits placed in 2019.

Mitsubishi and Credit Agricole have replaced Toronto Dominion and Natixis in the top five. Both have provided consistent liquidity in term deposits and now account for a high proportion of rollovers in this instrument. As term deposits account for c83% of the value in this category this accounts for their positions in the list.

The top five counterparties account for c64% (2018: 52%) of executions. Our Order Execution and Placement Policy lists the counterparty groups on whom we place significant reliance. The 17 listed for fixed income account for c.90% of executions in bonds and money market instruments. This list has not changed during the year. Given the nature of these markets the list is unlikely to change.

Price has been the most important execution factor as the markets for these instruments exhibit high levels of visible liquidity. However, whilst the certificated instruments settle on a delivery versus payment basis the term deposits are subject to the credit risk of the deposit taker. As a result, counterparty risk or the likelihood of settlement increases in importance. Therefore we maintain a list of approved deposit takers, with limits, and we will only place with them, unless a client mandates otherwise. Deposits are placed in client named accounts. This ensures that client funds are ring fenced from our own obligations.

In general, these are highly liquid markets and therefore prices are compared to quoted prices. Execution is overseen by the Group Fixed Income Trading Performance Oversight Committee.

6.3 Exchange traded derivatives

6.3.1 Interest rates derivatives – Futures and options admitted to trading on a trading venue

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
UBS AG	BFM8T61CT2L1QCCEMIK50	1	48.66%	56.08%
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	2	32.13%	26.83%
Morgan Stanley & Co. International PLC	4PQUHN3JPFQFN3BB653	3	7.04%	7.51%
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	4	5.62%	3.56%
Barclays Bank PLC	G5GSEF7VJP5I7OUK5573	5	1.70%	0.98%

The table above covers bond and interest rate contracts.

The top five are the same as 2018 and represent c95% of executions (2018: c86%).

Morgan Stanley's coverage decreased during the year and they were replaced by Citigroup in the rankings. UBS remain in first place as in more instances than other brokers they are not restricted by any portfolios in an order.

Ordinarily, price was the most important factor. However, should we wish to implement or exit a large position quickly then speed becomes more important than price and for larger orders, the likelihood of execution and execution size increase in importance.

The fixed income futures markets are generally liquid and transparent markets. The orders that would have little market impact were typically sent to the counterparty for immediate execution on the relevant exchange. For some executions where we needed to manage the implicit costs of the trade more closely orders were placed with a counterparty to work at certain market levels. In addition, we executed large block orders on a principal basis with counterparties. We track the competitiveness of block pricing across counterparties and a range of contracts, in order to establish which counterparties to approach.

The top five counterparties were the most consistent across all types of execution, including outright positions, hedges and rolls. However, there are some counterparties outside the top five who have provided an important service executing large orders during the year.

Given the liquidity and transparency of the market, prices are compared to exchange quoted prices. The monitoring of execution is overseen by the Group Fixed Income Trading Oversight Committee.

6.3.2 Equity Derivatives – Options and Futures admitted to trading on a trading venue

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
UBS AG	BFM8T61CT2L1QCEMIK50	1	51.45%	34.81%
Morgan Stanley & Co. International PLC	4PQUHN3JPFQFNF3BB653	2	14.43%	17.97%
Credit Suisse International	E58DKGMJYYYJLN8C3868	3	9.22%	4.85%
Goldman Sachs International	W22LROWP2IHZNBB6K528	4	8.08%	10.00%
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	5	5.85%	7.16%

The table above covers exchanged traded equity futures and options.

The top five represent c89% (2018: c87%) of executions.

UBS remains first in the ranking being the clearing broker for most of our clients. Credit Suisse appeared and Goldman Sachs re-appeared in the list replacing BNP Paribas and Barclays. We have introduced a new selection process for identifying the best performing broker algorithms and the five brokers listed are included in that selection process.

Ordinarily, price is the most important factor. However, should we wish to implement or exit a large position quickly then speed has been more important than price, as has the likelihood of execution and the size of execution, on occasion.

The equity futures markets are generally liquid and transparent and our orders, having little market impact, are sent to a counterparty for immediate execution on the relevant exchange. Where we need to manage the implicit costs of the trade more closely orders are placed with a counterparty to work. We have been progressively moving towards electronic trading methods, and as algorithms are developed in this area we will be looking to use them more.

Where speed of execution is critical, larger orders, were executed as a principal trade. In which case we either placed counterparties in competition or selected a single counterparty to execute. The selection of one counterparty may be appropriate where we wish to limit information leakage or avoid the delay implicit in an RFQ process. Where we select a single counterparty, we will have a view on the spread away from the current exchange price that is acceptable. The fairness of execution prices are checked to exchange prices.

A large volume of trades were done when futures contracts were rolled. In advance of the expiry date, the Traders and the fund management teams discuss the number of contracts to be rolled. Trading activity in the contracts with the next and subsequent expiry dates increases in the days ahead of the current expiry date. We organise the rolling process in advance of the expiry date in order to trade in sufficient liquidity to secure the best outcome.

Equity option orders with no market impact were placed with a counterparty for immediate execution on the relevant exchange. Larger orders were traded on a RFQ basis, taking the best price. Prices are compared to the exchange order book. We monitor counterparty hit rates to inform decisions as to who to ask to quote.

The top five counterparties reported are large investment banks. This is because they see a large amount of natural order flow and are therefore in a position to offer competitive pricing in larger orders. This is particularly important when rolling futures contracts where competitive pricing is dependent on the counterparty's ability to cross our rolls with natural liquidity. We invite counterparties to quote when we roll futures and monitor those quotes on an ongoing basis.

The monitoring of exchange traded futures is included in our TCA information and overseen by the Group Equity Trading Performance Oversight Committee.

6.3.3 Currency derivatives – Futures and options admitted to trading on a trading venue

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
UBS Securities LLC, Stamford	T6FIZBDPKLYJKFCRVK44	1	74.52%	71.32%
UBS AG	BFM8T61CT2L1QCEMIK50	2	19.97%	22.11%
UBS Limited, London	REYPIEJN7XZHSUI0N355	3	5.51%	6.58%

The table above covers exchange traded currency futures and options. We execute a small quantity of exchange for one client mandate. The size of the orders mean that they were traded at the market price without impact. Therefore we traded them with our clearing broker for exchange traded derivatives.

6.3.4 Commodities derivatives and emission allowances derivatives – Options and Futures admitted to trading on a trading venue

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Macquarie Bank Limited	4ZHCHI4KYZG2WVRT8631	1	40.41%	47.18%
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	2	25.12%	25.80%
Morgan Stanley & Co. International PLC	4PQUHN3JPFGFNF3BB653	3	19.67%	20.03%
R.J. O'Brien & Associates, LLC	WOPZ3KWZW5JSJMG3U094	4	9.45%	3.64%
Goldman Sachs International	W22LROWP2IHZNBB6K528	5	2.78%	1.81%

The table above covers exchange traded commodity futures.

The top five represent c97% (2018: c94%) of executions and the top four are the same as last year. The changes in percentages can be dependent on the types of commodities we are trading as different counterparties have different strengths.

Ordinarily, the most important factor is price, including implicit costs. However, the inherent characteristics of the order can mean that urgency, and therefore speed, becomes the most important factor. In these circumstances the opportunity to improve the price by executing more patiently is foregone. For larger orders the likelihood of execution and the ability to execute in size increase in importance.

Generally we are able to execute orders at the current market price. However, commodity markets can be both illiquid and volatile which makes execution decision making very important at certain times. A lack of liquidity necessitates careful execution management to ensure that execution is timed with periods of maximum liquidity and timed to avoid adverse price movements. In addition, it is important to have the ability to execute orders across times zones as trading takes place up to 23 hours per day for some commodities.

Our counterparty list includes a number of the large investment banks whose “generalist” trading desks are able to execute most orders and also smaller counterparties who specialise in specific commodity sectors or commodities. Although this did not impact our counterparty list in 2019, the investment banks establish and close commodity desks more frequently than for other asset classes and therefore our list can change as a result.

Relatively low volumes and the close proximity of the Traders and the Fund Managers mean that price levels and execution prices can be monitored and discussed on a trade by trade basis and with reference to current exchange prices. Execution activity is discussed at investment strategy meetings and overseen by at the Emerging Market Debt and Commodity Trading Oversight Committee.

6.4 Over the counter derivatives

6.4.1 Interest rates derivatives – Swaps, forwards, and other interest rates derivatives

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Deutsche Bank Aktiengesellschaft	7LTFWZYICNSX8D621K86	1	34.53%	19.87%
Morgan Stanley Capital Services LLC	I7331LVCZKQKX5T7XV54	2	15.74%	0.94%
Credit Suisse International	E58DKGMJYYYJLN8C3868	3	10.96%	5.89%
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	4	8.58%	10.84%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	5	7.07%	9.30%

Trading venue	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Tradeweb	1	100.00%	100.00%

The tables above covers gilt total return swaps, interest rate swaps and swaptions.

Some 22% (2018: c10%) of trading activity takes place on Tradeweb. The top five represent c77% of executions (2018: c70%) and were the same top five counterparties as last year.

Deutsche Bank increased their share of executions and Credit Suisse decreased primarily because the proportion of gilt total return swaps executed compared with interest rate swaps decreased in 2019 and Credit Suisse were the top counterparty in gilt total return swaps in 2018.

In OTC markets, the likelihood of settlement is an important factor. The risk is mitigated through the counterparty credit risk assessment process and, in the vast majority of cases, we have collateral management arrangements in place, either bi-laterally or through central clearing. As a result, whilst this is an important factor overall, ordinarily, it is not an important consideration in the execution strategy deployed by the Trader.

Orders are executed on an RFQ basis with Traders approaching counterparties directly for quotes. Typically in liquid markets price was the most important factor. As markets become less liquid, for instance in larger order sizes then the likelihood of execution, the capability to execute in size, becomes increasingly important. Therefore we assess and rank the core strengths of our counterparties in order that we approach the most likely to execute, thereby avoiding information leakage. In addition, there were occasions when speed will be more important than price. This could occur when a Fund Manager wishes to implement or exit an investment strategy quickly.

We do not use TCA data for OTC derivatives. Instead we record the quotes received to support the quote accepted. In addition, in situations where only one quote was requested the reason is recorded. Counterparty concentrations are reviewed at the Group Fixed Income Trading Performance Oversight Committee. We utilise the large investment banks for this trading activity and the list used has not changed during the year.

6.4.2 Credit derivatives – Other credit derivatives

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Barclays Bank PLC	G5GSEF7VJP5I7OUK5573	1	25.30%	12.32%
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	2	22.67%	28.17%
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	3	14.99%	24.85%
Goldman Sachs International	W22LROWP2IHZNBB6K528	4	11.31%	11.50%
JPMorgan Chase Bank, National Association	7H6GLXDRUGQFU57RNE97	5	8.42%	0.65%

Trading venue	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Tradeweb	1	100.00%	100.00%

The tables above cover credit default swaps on single names and indices.

Some 78% (2018: c30%) of trading activity takes place on Tradeweb. Some of this trading activity is negotiated off venue but then arranged to be executed on venue with the counterparty.

The top five represent c83% of executions (2018: c91%) and is the same as last year apart from the exclusion of Morgan Stanley, who were less competitive and not always an available counterparty for some of the larger portfolios. The list includes two JP Morgan entities to facilitate trading for US and non-US portfolios.

The execution process commentary for OTC interest rate derivatives would also apply for OTC credit derivatives.

6.4.3 Securities Financing Transactions (Repos)

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Lloyds Bank PLC	H7FNTJ4851HG0EXQ1Z70	1	13.40%	13.10%
Standard Chartered Bank	RILFO74KP1CM8P6PCT96	2	11.81%	10.51%
Lloyds Bank Corporate Markets Plc	213800MBWEIJDM5CU638	3	10.18%	10.64%
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	4	9.28%	10.56%
LCH Limited	F226TOH6YD6XJB17KS62	5	8.92%	6.95%

The table above covers repurchase agreements (“Repo”).

The top five represent c54% of executions (2018: c68%). Four of the top five counterparties are the same as 2018. Toronto Dominion Bank is no longer in the top 5 and was replaced by Lloyds Bank Corporate Markets. The Lloyds Group split into two trading entities as a result of bank ring fencing reforms. As we traded with the two Lloyds entities both appeared in the list.

The Repo market is an OTC market and therefore the likelihood of settlement is an important factor we consider in determining the counterparties we use. As a result, the number of counterparties we use is limited and positions are collateralised.

Repos are actively traded in highly liquid inter-bank markets where there are a large number of participants quoting on a continuous basis. Orders that are standard market size are executed on an RFQ basis where we typically ask multiple counterparties to quote, taking the best quote. Therefore, subject to counterparty limits,

ordinarily, price was the most important factor. There are certain occasions when speed will be more important than price. This could occur when a Fund Manager wishes to implement or exit an investment strategy quickly. We assess and rank counterparties on an on-going basis in order to determine which should be invited to quote on a particular trade.

We monitor execution quality by recording the quotes received and documenting the reason where the best quote has not been executed. These exceptions are reported at the Portfolio Solutions Trading Oversight Committee. We regularly review and make changes to our overall counterparty list.

6.4.3 Equity Derivatives – Swaps and other equity derivatives

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	1	32.99%	0.92%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	2	18.80%	4.27%
Natixis SA	KX1WK48MPD4Y2NCUIZ63	3	17.48%	0.84%
Morgan Stanley & Co. International PLC	4PQUHN3JPFGFNF3BB653	4	10.49%	19.38%
UBS AG	BFM8T61CT2L1QCEMIK50	5	6.41%	13.37%

The table above covers over the counter equity total return swaps and options.

The top five represent c86% of executions (2018: c78%) and four of the five counterparties are the same as last year. Deutsche Bank withdrew from the equity derivatives market and the Natixis and Citi were more competitive over the period resulting in their positions in the list.

In OTC markets, likelihood of settlement is an important factor. The risk is mitigated through the counterparty credit risk assessment process and, in the vast majority of cases, we have collateral management arrangements in place. As a result, whilst this is an important factor overall, ordinarily, it is not an important consideration in the execution strategy deployed by the Trader.

Ordinarily, price or the all-in economics, including any break fee, was the most important factor. There are certain occasions when speed will be more important than price. This could occur when a Fund Manager wishes to implement or exit an investment strategy quickly. Likelihood of execution would become an important factor when speed of execution or execution size increase in importance.

For bespoke OTC derivatives we selected counterparties who have proven execution capability in the particular instrument and who have delivered highly ranked recent execution performance. In addition, we periodically re-introduced counterparties who had been excluded from recent selection in order to reassess their execution competitiveness. The number of counterparties put in competition can vary and it can be the case that where execution speed is important, a smaller number of counterparties are approached. We assess and rank counterparties on an on-going basis in order to determine which should be invited to quote on a particular trade.

We monitor execution quality by recording the quotes received and documenting the reason where the best quote has not been executed. These exceptions are reported at the relevant Portfolio Solutions Trading Oversight Committee. The counterparty list has not changed during the year.

6.4.3 Other Commodity Derivatives

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	1	43.81%	38.67%
JPMorgan Chase Bank, National Association	7H6GLXDRUGQFU57RNE97	2	41.42%	44.75%
Societe Generale SA	O2RNE8IBXP4R0TD8PU41	3	14.28%	13.26%
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	4	0.19%	1.10%
Goldman Sachs International	W22LROWP2IHZNBB6K528	5	0.18%	1.10%

The above table covers over the counter swaps on commodity indices.

The value and number of trades we execute in these instruments is very low compared with most others. The cost of the trade is dependent on the funding costs of the counterparty and JPM have been very competitive in all the trades they have been asked to compete for.

The relative rankings indicate those counterparties who have priced the most competitively during the year.

6.4.4 Other instruments

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
Barclays Bank PLC	G5GSEF7VJP5I7OUK5573	1	29.57%	2.96%
Goldman Sachs International	W22LROWP2IHZNBB6K528	2	11.32%	9.37%
HSBC Bank Plc	MP6I5ZYZBEU3UXPYFY54	3	10.76%	9.84%
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	4	7.22%	2.72%
Deutsche Bank Aktiengesellschaft	7LTFWZYICNSX8D621K86	5	7.11%	1.36%

The tables include inflation linked swaps and any “Equities – Shares and depositary receipts” for which we couldn’t source a liquidity band, which generally applies to instances where we traded in non-EEA markets. Some 67% of the table relates to inflation linked swaps.

We have traded far fewer inflation linked swaps in 2019 than 2018. Whilst Barclays and Deutsche remained in the top five, Goldman Sachs, HSBC and Citigroup replaced JP Morgan, UBS AG and Nomura. In 2018 we built up and unwound a large position in inflation in one particular currency and in 2019 we traded less and across a number of different currencies and this is reflected in the different counterparties we have used.

The ranking represents the competitiveness of the prices available in the markets traded.

In OTC markets, likelihood of settlement is an important factor. The risk is mitigated through the counterparty credit risk assessment process and, in the vast majority of cases, we have collateral management arrangements in place. As a result, whilst this is an important factor overall, ordinarily, this is not an important consideration in the execution strategy deployed by the Trader.

We selected counterparties who have proven execution capability and who have delivered highly ranked recent execution performance. In addition, we periodically re-introduced counterparties who had been excluded from recent selection in order to reassess their execution competitiveness. The number of counterparties put in competition can vary and it can be the case that where execution speed is important, a smaller number of counterparties are approached. We assess and rank counterparties on an on-going basis in order to determine which should be invited to quote on a particular trade. The counterparty list has not changed during the year.

We monitor execution quality by recording the quotes received and documenting the reason where the best quote has not been executed.

6.5 Foreign exchange

6.5.1 Currency derivatives – Swaps, forwards, and other currency derivatives

Counterparty Entity	LEI	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
HSBC Bank Plc	MP6I5ZYBUEU3UXPYFY54	1	19.67%	8.80%
UBS AG	BFM8T61CT2L1QCEMIK50	2	15.53%	12.74%
State Street Bank & Trust Company	571474TGEMMWANRLN572	3	15.23%	13.59%
JPMorgan Chase Bank, National Association	7H6GLXDRUGQFU57RNE97	4	11.45%	12.76%
Citibank, National Association	E57ODZWZ7FF32TWEFA76	5	7.94%	10.13%

Trading venue	Rank based on principal traded	Proportion of principal traded as a % of total in class	Proportion of orders traded as a % of total in class
FX Connect	1	79.38%	50.76%
FXall	2	20.62%	49.24%

The table includes the forward foreign exchange, non-deliverable forward and OTC foreign exchange options we execute. Some 99% (2018: 98%) of trading activity takes place through the trading venues. Some of this trading activity is negotiated off venue but then arranged to be executed on venue with the counterparty.

The top five account for 70% of executions. There has been a little movement in the order which largely reflects a small number of very large trades where the underlying client restricted execution to one or more of the counterparties listed.

The top five counterparties are reflective of the most competitive quoting counterparties and are unchanged from last year.

As foreign exchange is an OTC market where payment versus payment is not mandatory, the likelihood of settlement is the first factor we consider in determining the counterparties we use. As a result, the number of counterparties we use is limited and we use collateralisation and continuous linked settlement to mitigate risk where possible.

In addition to the likelihood of settlement, the overall price, including implicit costs, was always an important factor. However, for more difficult orders, larger orders or orders in more illiquid currencies, price becomes less important than the need to execute urgently, speed, or the need to execute in larger size to avoid information leakage having an adverse impact.

The majority of executions were executed use the trading venues, FX Connect and FXall to interact with our counterparties. This electronic connectivity facilitates speedy price discovery and efficient processing. Generally, we requested a number of counterparties to quote or stream their prices and we selected the best quote.

We monitor hit rates on the trading venues in order to ensure we are asking the most competitive counterparties to quote and in order to provide feedback to counterparties with the objective of improving execution outcomes over time.

For the more difficult, high touch orders we approached counterparties directly asking one or more to quote. We are mindful of the risk of information leakage and therefore we limit the number of counterparties asked. Counterparties were selected based on our assessment of their core strengths, meaning our assessment of a

number of criteria that indicate their ability to execute in a particular size in a particular market. This assists the Traders in making more informed decisions.

For OTC foreign exchange options and non-deliverable forwards, we typically put two or three counterparties in competition and selected the best price, although some high touch orders were executed with a single counterparty, where information leakage is a concern.

In addition, where market conditions are favourable, we utilise counterparty algorithms to manage the execution of some orders. We selectively introduced additional algorithms in order to assess whether they will reduce market impact and therefore trading costs.

Our Order Execution and Placement Policy lists the counterparties on whom we place significant reliance. There are 14 listed for foreign exchange and the top 10 account for c.93% of executions. We conduct regular reviews with the largest counterparties in order to discuss execution performance and the execution services they provide. In the developed currency markets, in which we execute the majority of our trades, there are a limited number of large counterparties and therefore the list of counterparties is unlikely to change, and hasn't changed during the year.

We use TCA analysis to monitor our foreign exchange trading performance. Execution performance is overseen by the Group Foreign Exchange Trading Performance Oversight Committee.

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The UK left the EU on 31 January 2020 pursuant to the terms of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community. It has entered a transition period which is due to operate until 31 December 2020. During the transition period, EU law will continue to apply in the UK.

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Appendix 1 RTS 28 list of financial instruments

	Trading venue data	Counterparty data
a. Equities – Shares and depositary receipts		
i. Tick size liquidity bands 5 and 6 (from 2,000 trades per day)	✓	✓
ii. Tick size liquidity bands 3 and 4 (from 80 to 1,999 trades per day)	✓	✓
iii. Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)	✓	✓
b. Debt instruments		
i. Bonds	✓	✓
ii. Money markets instruments	✓	✓
c. Interest rates derivatives		
i. Futures and options admitted to trading on a trading venue	Not applicable	✓
ii. Swaps, forwards, and other interest rates derivatives	✓	✓
d. Credit derivatives		
i. Futures and options admitted to trading on a trading venue	Not applicable	Bond futures included in (c)(i)
ii. Other credit derivatives	✓	✓
e. Currency derivatives		
i. Futures and options admitted to trading on a trading venue	Not applicable	✓
ii. Swaps, forwards, and other currency derivatives	✓	✓
f. Securities Financing Transactions (Repos)	Not applicable	✓
g. Equity derivatives		
i. Options and Futures admitted to trading on a trading venue	Not applicable	✓
ii. Swaps and other equity derivatives	Not applicable	✓
h. Securitized derivatives		
i. Warrants and certificate derivatives	Not applicable	✓
ii. Other securitized derivatives	Not traded	Not traded
i. Commodities derivatives		
i. Options and Futures admitted to trading on a trading venue	Not applicable	✓
ii. Other commodities derivatives	Not applicable	✓
j. Contracts for difference	✓	✓
k. Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)	✓	✓
l. Emission allowances	Not traded	Not traded
m. Other instruments	Not applicable	✓

Appendix 2 Execution process by financial instrument

The table indicates whether we typically trade by “execution” or “placement” for each of the financial instruments we trade. This applies to our execution process and not where the instrument is ultimately executed.

Instrument Type	Placement	Algorithm	Execution on Venue	Execution off Venue
Equities – Shares and depositary receipts	Yes	Yes	Immaterial	Yes
Debt instruments				
i. Bonds	Yes	No	Yes	Yes
ii. Money markets instruments	No	No	Yes	Yes
Interest rates derivatives				
i. Futures and options admitted to trading on a trading venue	Yes	Yes	No	Yes
ii. Swaps, forwards, and other interest rates derivatives	No	No	Yes	Yes
Credit derivatives				
i. Futures and options admitted to trading on a trading venue		Bond Futures included above		
ii. Other credit derivatives	No	No	Yes	Yes
Currency derivatives				
i. Futures and options admitted to trading on a trading venue	Yes	No	No	No
ii. Swaps, forwards, and other currency derivatives	Yes	Yes	Yes	Yes
Securities Financing Transactions - Repos	No	No	No	Yes
Equity derivatives				
i. Options and Futures admitted to trading on a trading venue	Yes	No	No	Yes
ii. Swaps and other equity derivatives	No	No	No	Yes
Securitized derivatives				
i. Warrants and certificate derivatives	No	No	No	Yes
ii. Other securitized derivatives	Not applicable	Not applicable	Not applicable	Not applicable
Commodities derivatives				
i. Options and Futures admitted to trading on a trading venue	Yes	No	No	Yes
ii. Other commodities derivatives	No	No	No	Yes
Contracts for difference	Yes	Yes	Immaterial	Yes
Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)	Immaterial	No	Immaterial	Yes
Emission allowances	Not applicable	Not applicable	Not applicable	Not applicable
Other instruments – inc Inflation Linked Swaps	No	No	No	Yes

Definitions

- Placement is where we place an order with a counterparty for them to work the order.
- Algorithm is where we place an order in a counterparty’s Algorithm for it to work the order.
- Execution on venue is where we have executed on a trading venue that we have direct access to, for example Tradeweb.
- Execution off venue is where we have executed directly with a counterparty either through negotiating a price with a single counterparty or through an RFQ process.