

Quilter Investors

Annual Report on top five Execution Venues and Qualitative Assessment of Execution

Based on trades executed between 1 January 2020 and 31 December 2020



Overview of capabilities

Quilter Investors regularly reviews broker relationships and adds or removes brokers where required to ensure that we have access to the right counterparties to achieve best execution and good customer outcomes in changing markets.

Quilter Investors executes Fixed Income and FX orders directly on venues or with counterparties. Quilter Investors places orders for equities and exchange traded derivatives with counterparties for onward execution or asks for risk prices. The tables below indicate results for executions on venue and counterparty placement separately.

All Credit Default Swap ("CDS") trades executed during the period were rollovers, centrally cleared and are executed through Bloomberg TSOX with the ability to trade via voice if this required.

Conflicts of interests, close links and common ownerships with respect to any execution venues used to execute orders

Quilter Investors retains Citigroup as a third-party administrator for the funds it manages. This service includes fund pricing, middle office and custody. The relationship is priced solely on a commercial basis for the service. Citigroup undertakes share class hedging and portfolio hedging for Quilter Investors and also is responsible for executing restricted currency foreign exchange through its local agent network. All foreign exchange activity by Citigroup is executed at spreads that have been negotiated on a commercial basis based on the levels of activity and the liquidity of the currency pairs.

Quilter Investors ensures all non-execution services supplied by counterparties are independent from order execution and priced on a stand-alone commercial basis.

Quilter Investors has research relationships with a number of market counterparties. These are independent of the execution services supplied by the counterparties and Quilter Investors pays for the research from its own resources. This process is overseen by the Trade Management and Research Governance Forum with a member of the portfolio management team overseeing the relationships with the research counterparties.

Quilter Investors does not trade with Group or Affiliated entities.

Specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received

Quilter Investors does not have any arrangements with execution venues other than their standard execution terms and commissions.

Monitoring execution quality

At Quilter Investors, the dealing team is responsible for achieving best execution. The dealers have an independent reporting line from fund managers. They are the execution experts and are best placed to understand the subtleties of the markets.

The dealers work closely with the fund managers to ensure that individual trades are executed as expected and in line with the Order Execution Policy. In addition, the Head of Dealing uses a range of post-execution reports to analyse order executions across all trading activity. These reports are generated by the Operations team and presented by the Head of Dealing to the Trade Management and Research Governance Forum which provides independent challenge on the overall quality of execution.

During 2020 Quilter Investors has implemented transaction cost calculations as prescribed in the Regulatory Technical Standard for Packaged Retail Investment and Insurance-based Products. Due to the nature of multi-asset fund management, the sourcing of market prices to compare trading activity is complex and the reports can be difficult to interpret. However, we are satisfied the measured slippage indicates that we are achieving a good execution outcome and we are working on improving the Transaction Cost Analysis data and the interpretation of it. The Head of Dealing and other stake holders continue to meet with various transaction cost analysis providers to keep up to date with the evolving systems available in the market.

Relative importance of execution factors of price, costs, speed, and likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution

Quilter Investors has established an Order Execution Policy (a version of this is available on our web site) that sets the overarching framework for achieving best execution. Within this we have considered the execution factors and assess the relative importance of each of these within our dealing process depending upon a number of criteria, including:

- The investment intent of the fund manager who created the order;
- The characteristics of financial instruments that are the subject of that order; and
- The characteristics of the execution venues to which that order can be directed.

Every order is inherently unique in its characteristics and market conditions are ever changing; hence the relative importance of the execution factors is therefore variable. However, total consideration (namely price plus explicit and implicit costs) is the primary factor for most transactions. When other factors come into the equation, the objective for dealers remains - which is to achieve the best possible price subject to the other limiting factors. Counterparty risk is always considered but will be given a higher priority in the case of instruments which are not settled by delivery versus payment mechanisms.

Where an order must be executed at a specific time the dealers select a method which ensures execution occurs at the market level prevailing at the target time.

Broadly speaking, fixed income markets breakdown into three liquidity bands; high liquidity (e.g. government bonds), medium liquidity (e.g. corporates) and low liquidity (e.g. high yield bonds or emerging market government bonds).

There are exceptions to all these classes and a bond, or an entire market can move into lower or higher liquidity bands depending on market conditions.

Best execution should not be affected by liquidity bands. Whilst it may reduce the number of brokers we can approach in the lower band; liquidity is generally sourced from brokers that are axed in the name we want to trade (i.e. they have a position opposite to the direction of our trade). Quilter Investors trades all of its bonds via Bloomberg TSOX as it has the most liquidity for the fixed income securities Quilter Investors utilise.

Certain instruments such as exchange traded derivatives and foreign exchange have highly visible and liquid markets. Orders for these markets are executed promptly at the market level using suitable dealing platforms or execution brokers. The dealing desk will always get competing quotes and deal at the best price. Foreign Exchange transactions are all carried out via the FXAll trading platform which automatically sources the best price from pre-approved counterparties.

The dealing team have ready access to the fund managers in the office and remotely, thus facilitating free communication. Dealers refer to the fund managers for ratification of any order execution which may not meet the fund manager's expectation or instruction.

Quilter Investors negotiates uniform equity commission levels across all counterparties. This means dealers are free to select the counterparties on their lists without having to consider cost factors. However, some execution methods, described in the markets as "low touch" (e.g. more automated markets) may attract lower commission levels. Dealers will prioritise low touch methods where suitable - for example when executing programme trades.

Factors that lead to a change in the list of execution venues in the execution policy

There were no changes in execution venues for the year 2020. The dealing desk is however constantly looking at various systems and would make changes as seen necessary.

Exchange order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements

Quilter Investors only trades for funds and professional category clients.

Does Quilter Investors allow other criteria to take precedence over immediate price and cost when executing retail client orders and how are these other criteria instrumental in delivering the best possible result in terms of the total consideration to the client?

Quilter Investors only trades for funds and professional category clients.

Has Quilter Investors used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575 [RTS 27]?

Quilter Investors has not used this data or found a way to integrate this data at this point.

Does Quilter Investors use the output of a consolidated tape?

Quilter Investors has not used this data.

Exchange traded products (ETP)

Exchange traded funds (ETFs), exchange traded notes and exchange traded commodities make up the category of ETPs and Quilter Investors trades these instruments with brokers. These trades tend to be of a very small size and in very liquid instruments with the majority being rebalance trades that have to be executed at a specific time of the day.

| Class of instrument | Low volume (QI <1 average trade per day in the prior year) |
|--------------------------|--|
| Exchange traded products | No |

| Counterparty | LEI | Value (%) | Number (%) |
|---------------------------------|----------------------|-----------|------------|
| Northern Trust Securities LLP | 549300EF8AZLRG0UC208 | 56.54% | 45.42% |
| Virtu Financial Ireland Limited | 549300XG5LFGN1IGYC71 | 34.98% | 53.19% |
| Makor Securities London Ltd | 549300IPTYC8XXQ6C338 | 6.25% | 0.90% |
| HSBC Bank PLC | MP6I5ZYZBEU3UXPYFY54 | 1.95% | 0.08% |
| Winterflood Securities Ltd | 8BRUP6V1DX3PIG2R0745 | 0.29% | 0.41% |

Equity - Shares and depositary receipts

Quilter Investors trade a large amount of investment trusts and in this situation will look to source natural liquidity from the various brokers in this market. The default is always to find natural liquidity, however many of the investment trusts are illiquid and trade through specialist brokers.

Quilter Investors also carries out programme trades and has relationships with the various broker programme desks. These types of trades will be executed with the desks who price the basket of stocks competitively and also achieve the best outcome based upon the key execution factors.

| Class of instrument | Low volume |
|---|------------|
| Equities – liquidity bands 5 and 6 (from 2000 trades per day) | No |

| Counterparty | LEI | Value (%) | Number (%) |
|---------------------------------|----------------------|-----------|------------|
| Northern Trust Securities LLP | 549300EF8AZLRG0UC208 | 50.45% | 44.73% |
| Virtu Financial Ireland Limited | 549300XG5LFGN1IGYC71 | 28.95% | 45.15% |
| HSBC Bank PLC | MP6I5ZYZBEU3UXPYFY54 | 11.30% | 3.80% |
| Makor Securities London Ltd | 549300IPTYC8XXQ6C338 | 9.31% | 5.91% |
| Winterflood Securities Ltd | 8BRUP6V1DX3PIG2R0745 | 0.00% | 0.42% |

| Class of instrument | Low volume |
|---|------------|
| Equities – liquidity bands 3 and 4 (from 80 to 1999 trades per day) | Yes |

| Counterparty | LEI | Value (%) | Number (%) |
|-------------------------------|----------------------|-----------|------------|
| Northern Trust Securities LLP | 549300EF8AZLRG0UC208 | 23.14% | 14.48% |
| Numis Securities Ltd | 213800P3F4RT97WDSX47 | 19.24% | 33.83% |
| Jefferies International Ltd | S5THZMDUJCTQZBTRVI98 | 18.41% | 17.13% |
| Winterflood Securities Ltd | 8BRUP6V1DX3PIG2R0745 | 17.00% | 11.82% |
| J.P. Morgan Securities PLC | K6Q0W1PS1L1O4IQL9C32 | 14.40% | 16.99% |

| Class of instrument | Low volume |
|--|------------|
| Equities – liquidity bands 1 and 2 (from 0 to 79 trades per day) | Yes |

| Counterparty | LEI | Value (%) | Number (%) |
|-------------------------------|----------------------|-----------|------------|
| Numis Securities Ltd | 213800P3F4RT97WDSX47 | 21.15% | 18.89% |
| Jefferies International Ltd | S5THZMDUJCTQZBTRVI98 | 19.49% | 32.55% |
| Winterflood Securities Ltd | 8BRUP6V1DX3PIG2R0745 | 17.94% | 19.90% |
| J.P. Morgan Securities PLC | K6Q0W1PS1L1O4IQL9C32 | 14.84% | 11.80% |
| Northern Trust Securities LLP | 549300EF8AZLRG0UC208 | 9.98% | 8.43% |

Credit Derivatives

All CDS trades have been centrally cleared from March 2020 – this allows Quilter Investors to put a number of counterparties in competition via a trading platform (Bloomberg TSOX).

| Class of instrument | Low volume |
|-----------------------------------|------------|
| Credit Derivatives – All Activity | Yes |

| Counterparty | LEI | Value (%) | Number (%) | Passive (%) | Aggressive (%) |
|----------------------------------|----------------------|-----------|------------|-------------|----------------|
| Goldman Sachs International | W22LROWP2IHZNBB6K528 | 75.53% | 75.64% | 0% | 100% |
| Citigroup Global Markets Limited | XKZZ2JZF41MRHTR1V493 | 24.47% | 24.36% | 0% | 100% |

Note: Goldman Sachs International are Quilter Investors clearing broker.

Debt Instruments

Quilter Investors uses the staging platform Bloomberg TSOX, as this is the best source of liquidity for the fixed income instruments traded by Quilter Investors.

Fixed income trades are executed via Bloomberg TSOX and the dealers will trade with the best price each time. Quilter Investors continues to have sufficient counterparties to continue to achieve good customer outcomes. On rare occasions in a highly illiquid debt security, the dealers will speak to specialist dealers via telephone to try and find an axe and deal that way. A particular counterparty can be “axed” in the security they wish to trade (i.e. they have a position opposite to the direction of our trade).

| Class of instrument | Low volume |
|------------------------------------|------------|
| Debt Instruments – Top Five Venues | No |

| Counterparty | MIC/LEI | Value (%) | Number (%) | Passive (%) | Aggressive (%) |
|----------------|----------------------|-----------|------------|-------------|----------------|
| Bloomberg TSOX | 549300ROEJDDAXM6LU05 | 100% | 100% | 0% | 100% |

Executed debt instruments – All counterparty activity

| Class of instrument | Low volume |
|--|------------|
| Debt Instruments – All counterparty activity | No |

| Counterparty | MIC/LEI | Value (%) | Number (%) | Passive (%) | Aggressive (%) |
|---------------------------------------|----------------------|-----------|------------|-------------|----------------|
| HSBC Bank PLC | MP6I5ZYZBEU3UXPYFY54 | 46.89% | 26.27% | 0% | 100% |
| Morgan Stanley & Co International PLC | 4PQUHN3JPFQFNF3BB653 | 14.58% | 21.18% | 0% | 100% |
| Nomura International PLC | DGQCSV2PHVF7I2743539 | 13.10% | 7.45% | 0% | 100% |
| Goldman Sachs International | W22LROWP2IHZNBB6K528 | 7.07% | 5.49% | 0% | 100% |
| The Toronto-Dominion Bank | PT3QB789TSUIDF371261 | 6.72% | 3.14% | 0% | 100% |

Money market instruments are inventory led and is dominated by the counterparties below that Quilter Investors executes with.

| Class of instrument | Low volume |
|--------------------------|------------|
| Money Market Instruments | No |

| Counterparty | MIC/LEI | Value (%) | Number (%) |
|---------------------------------------|----------------------|-----------|------------|
| The Toronto-Dominion Bank | PT3QB789TSUIDF371261 | 54.81% | 37.23% |
| HSBC Bank PLC | MP6I5ZYZBEU3UXPYFY54 | 22.71% | 37.23% |
| Northern Trust Securities LLP | 549300EF8AZLRG0UC208 | 6.51% | 1.06% |
| Morgan Stanley & Co International PLC | 4PQUHN3JPFQFNF3BB653 | 5.03% | 1.60% |
| J.P. Morgan Securities PLC | K6Q0W1PS1L1O4IQL9C32 | 4.04% | 12.77% |

Foreign Exchange Derivatives

All foreign exchange is traded via FXall which will identify the best price which Quilter Investors can obtain from its list of approved brokers. The dealing desk continues to believe this is the superior staging platform in the FX market for the way Quilter Investors executes business.

Swaps, forwards and other currency derivatives

| Class of instrument | Low volume |
|---|------------|
| Currency derivatives - swaps, forwards and other currency derivatives | No |

| Counterparty | MIC | Value (%) | Number (%) | Passive (%) | Aggressive (%) | Directed (%) |
|---|------|-----------|------------|-------------|----------------|--------------|
| Reuters Transactions Services Limited (FXall) | TRAL | 100% | 100% | 0% | 100% | 0% |

Class of instrument

FXall counterparty top five

| Counterparty | LEI | Value (%) | Number (%) |
|----------------------------------|----------------------|-----------|------------|
| HSBC Bank PLC | MP6I5ZYZBEU3UXPYFY54 | 24.63% | 22.38% |
| Citigroup Global Markets Limited | XKZZ2JZF41MRHTR1V493 | 20.28% | 25.71% |
| Natwest Markets PLC | RR3QWICWWIPCS8A4S074 | 20.07% | 16.67% |
| Goldman Sachs International | W22LROWP2IHZNBB6K528 | 16.94% | 17.86% |
| The Toronto-Dominion Bank | PT3QB789TSUIDF371261 | 10.58% | 8.57% |

Continued overleaf

Exchange Traded Futures and Options

Treasury options are highly liquid and traded by Quilter Investors. The majority of these trades have been executed with Quilter Investors' clearing broker.

ETD bond and interest rate - Futures and Options admitted to a trading venue

| Class of instrument | Low volume |
|--|------------|
| Bond and interest rate futures and options | No |

| Counterparty | LEI | Value (%) | Number (%) |
|-----------------------------|----------------------|-----------|------------|
| Merrill Lynch International | GGDZP1UYGU9STUHRDP48 | 67.65% | 78.51% |
| Forte Securities Limited | 213800TE1VETDDTPKN12 | 29.61% | 7.10% |
| Goldman Sachs International | W22LROWP2IHZNBB6K528 | 2.74% | 2.31% |
| HSBC Bank PLC | MP6I5ZYZBEU3UXPYFY54 | 0.00% | 9.59% |
| Barclays Bank PLC | G5GSEF7VJP5I7OUK5573 | 0.00% | 2.49% |

Note: Merrill International are Quilter Investors' clearing broker.

With ETD equity option positions Quilter Investors will obtain prices from various counterparties and trade with the best price available. Note, Merrill Lynch International are the clearing broker.

Futures rolls will mainly be executed with the clearing broker.

Futures rolls are highly liquid instruments and for best execution the price would be consistent across all counterparties – therefore the clearing broker is used in the main as the rest of our best execution criteria will be fully satisfied.

Equity Derivatives

| Class of instrument | Low volume |
|----------------------------------|------------|
| Equity Index Futures and Options | No |

| Counterparty | LEI | Value (%) | Number (%) |
|---------------------------------------|----------------------|-----------|------------|
| Merrill Lynch International | GGDZP1UYGU9STUHRDP48 | 29.84% | 52.66% |
| Forte Securities Limited | 213800TE1VETDDTPKN12 | 69.20% | 23.07% |
| Barclays Bank PLC | G5GSEF7VJP5I7OUK5573 | 0.32% | 3.88% |
| Morgan Stanley & Co International PLC | 4PQUHN3JPFGFNF3BB653 | 0.12% | 1.74% |
| Northern Trust Securities LLP | 549300EF8AZLRG0UC208 | 0.50% | 0.70% |