

Parvus Asset Management Europe Limited

RTS 28 report

1 January – 31 December 2018

Parvus Asset Management Europe Limited (“Parvus”) is required to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues, in terms of trading volumes, where Parvus executed client orders in the preceding year, together with information on the quality of execution obtained.

When executing orders or placing orders with third parties for execution, Parvus seeks to obtain the best possible result on behalf of clients by taking into account several execution factors such as price, costs, speed, certainty of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

1. *A description of any close links, conflicts of interests, and common ownerships with any execution venues and brokers used:* Parvus does not have any close links or common ownerships with any execution venue or brokers. Parvus does not trade with any affiliates. From time to time, the funds under Parvus’ management may invest in market providers or trading counterparties. However, investment in such financial services issuers is not a factor when selecting execution venues or brokers.
2. *A description of any specific arrangements with any execution venues and brokers regarding payments made or received, discounts, rebates or non-monetary benefits received. This should allow investors to consider how such arrangements impact their costs:* With the exception of minor non-monetary benefits, Parvus does not receive any payments, discounts, rebates or other non-monetary benefits as part of its trading arrangements.
3. *An explanation of the factors that could lead to any change in the execution venues and brokers listed in the firm’s execution policy:* Parvus’ Order Execution Policy contains a list of execution venues and brokerage firms that enable Parvus to obtain on a consistent basis the best possible result for the execution of orders by type of financial instrument. Parvus regularly assesses the execution venues available and may add or delete venues in accordance with its obligation to achieve Best Execution, and depending on the brokers’ financial soundness, effectiveness and performance of execution services. The same principles apply to Parvus’ SFT counterparties.
4. *An explanation of how order execution differs according to client categorisation, if there is a difference:* Parvus has only professional customers, and so all order execution is performed in the same manner.
5. *An explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these helped deliver the best possible result in terms of the total consideration to the client:* NA – No retail client orders

6. *An explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under RTS 27 (now Delegated Regulation (EU) 2017/575):* Parvus has appointed an independent TCA provider to assist with the monitoring and oversight of the quality of execution obtained on execution venues. Equity and Equity Derivatives TCA reports are provided on a regular basis. The Compliance team undertakes additional checks as well. To date, Parvus has not utilised RTS 27 data. Parvus is satisfied that, during 2018, it complied with the requirements set out in its Order Execution Policy.
7. *An explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of MiFID II:* This will be reviewed when providers become available.
8. *An explanation of the relative importance given to the execution factors of price, costs, speed, likelihood of execution, or to any other consideration including qualitative factors when assessing the quality of execution:*

Equities and Equity Derivatives (Equity Swaps)

Parvus trades Equities and Equity Derivatives in the same manner and when assessing the execution venue, the firm will consider the following factors for both types of instruments, in the order listed:

1. Price – Parvus expectation is that the venue selected will be able to offer prices that are as good as or better than other venues for the particular trade.
2. Speed of execution - On occasions, the portfolio manager will determine that speed is of the essence in executing a trade, but the more normal process will be to place the trade over an extended period of time, dependent on the size of the trade, the size of the issuer and the liquidity of its stock.
3. Order size and nature – Orders, substantial in size or those involving Illiquid Equities and Equity Swaps based on such equities, could determine the selection of execution venues.
4. Costs – Parvus has standardised the cost of execution across the market. The rate selected is kept under periodic review and will never be outwith market standard prices. The cost of executing a trade is taken into account when selecting whether to trade physical or synthetic. Costs to be taken into account in these circumstances would include stamp duty and the capital commitment, compared to the cost of financing.
5. Certainty of execution - it is of vital importance that Parvus is confident that when it selects that venue, it knows that the trade will be completed.
6. Counterparty risk - As Parvus trades on a delivery versus payment (DVP) basis and only trades with well-established and financially secure brokers, this aspect is not typically considered to be a high risk.
7. Settlement - As above, Parvus only trades with established and sound entities, and an experienced Settlements team monitors the progress of each trade through to final settlement.

| Class of Instrument | | Equities - Band 1&2 | | | |
|---|---|---|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | | | | NO | |
| Top five execution venues ranked in terms of trading volumes (descending order) * | Proportion of volume traded as a % of total in that class** | Proportion of orders executed as % of total in that class** | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| UBS AG | 40.01% | 8.92% | NA | NA | NA |
| Deutsche Bank AG London | 38.94% | 1.89% | NA | NA | NA |
| Morgan Stanley & Co Intl Plc | 16.44% | 10.00% | NA | NA | NA |
| Kepler Cheuvreux SA | 2.67% | 43.51% | NA | NA | NA |
| Investment Technology Group Ltd | 1.61% | 5.68% | NA | NA | NA |

| Class of Instrument | | Equities - Band 3&4 | | | |
|---|---|---|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | | | | NO | |
| Top five execution venues ranked in terms of trading volumes (descending order) * | Proportion of volume traded as a % of total in that class** | Proportion of orders executed as % of total in that class** | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| Citigroup Global Markets Ltd | 25.87% | 0.73% | NA | NA | NA |
| Liquidnet Europe Limited | 13.20% | 29.36% | NA | NA | NA |
| Investment Technology Group Ltd | 12.71% | 14.58% | NA | NA | NA |
| Kempen & Co NV | 9.72% | 3.75% | NA | NA | NA |
| Danske Bank A/S | 8.56% | 11.64% | NA | NA | NA |

| Class of Instrument | | Equities - Band 5&6 | | | |
|---|---|---|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | | | | NO | |
| Top five execution venues ranked in terms of trading volumes (descending order) * | Proportion of volume traded as a % of total in that class** | Proportion of orders executed as % of total in that class** | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| Citigroup Global Markets Ltd | 36.57% | 1.51% | NA | NA | NA |
| Redburn (Europe) Limited | 11.90% | 19.25% | NA | NA | NA |
| HSBC Bank PLC | 9.69% | 8.63% | NA | NA | NA |
| Kepler Cheuvreux SA | 7.24% | 10.42% | NA | NA | NA |
| Liquidnet Europe Limited | 5.98% | 8.63% | NA | NA | NA |

Notes:

* Top 5 execution venues when no liquidity band applied, in descending order are Citigroup Global Markets Ltd, Redburn (Europe) Limited, HSBC Bank Plc, Kepler Cheuvreux SA and Liquidnet Europe Limited

**Figures include where a security has been crossed to/from an equity derivative position

| Class of Instrument | | Equity Derivatives - Swaps and other equity derivatives | | | |
|---|---|---|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | | | NO | | |
| Top five execution venues ranked in terms of trading volumes (descending order) * | Proportion of volume traded as a % of total in that class | Proportion of orders executed as % of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| Citigroup Global Markets Limited | 48.06% | 35.88% | NA | NA | NA |
| HSBC Bank PLC | 36.50% | 43.15% | NA | NA | NA |
| Morgan Stanley & Co Intl Plc | 11.33% | 20.50% | NA | NA | NA |
| UBS AG | 4.12% | 0.46% | NA | NA | NA |

Notes:

* Top 5 execution venues viewed as the swap counterparty as opposed to give up broker on underlying hedge

Equity Derivatives - Options and Futures admitted to trading on a trading venue

Speed of Execution and Price are generally the most important factors when trading Equity Options and Futures. Costs and the characteristics of the specific instrument are also considered with high importance.

| Class of Instrument | | Equity Derivatives - Options and Futures admitted to trading on a trading venue | | | |
|---|---|---|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | | | YES | | |
| Top five execution venues ranked in terms of trading volumes (descending order) | Proportion of volume traded as a % of total in that class | Proportion of orders executed as % of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| Morgan Stanley & Co Intl Plc | 100% | 100% | NA | NA | NA |

Debt Instruments – Bonds and Money Market Instruments

Parvus takes all sufficient steps to achieve the best possible result for client orders.

Money Market Instruments are traded primarily for cash management purposes and as such price and cost are the most significant factors.

With regards to Bonds, due to the often illiquid nature of the instruments, in deciding how to effect client orders the following factors are primarily considered:

1. Order size and nature – Orders substantial in size or these involving Illiquid Debt Instruments often determine the selection of execution venues
2. Price
3. Certainty of execution
4. Cost
5. Other

| Class of Instrument | Debt Instruments - Bonds | | | | |
|---|---|---|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | YES | | | | |
| Top five execution venues ranked in terms of trading volumes (descending order) | Proportion of volume traded as a % of total in that class | Proportion of orders executed as % of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| Citigroup Global Markets Limited | 50.27% | 33.33% | NA | NA | NA |
| HSBC Bank PLC | 49.73% | 66.67% | NA | NA | NA |

| Class of Instrument | Debt Instruments - Money market instruments | | | | |
|---|---|---|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | YES | | | | |
| Top five execution venues ranked in terms of trading volumes (descending order) | Proportion of volume traded as a % of total in that class | Proportion of orders executed as % of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| Citigroup Global Markets Limited | 100.00% | 100.00% | NA | NA | NA |

Currency Derivatives - Swaps, forwards, and other currency derivatives

All FX Forwards trades are executed through FXALL that is a request for quote (RFQ) platform. Before executing an order, multiple counterparties are chosen to compete for each trade. All obtained quotes are compared against current market prices before placing an order. The following factors are taken into account:

1. Order size and nature
2. Price
3. Certainty of execution
4. Cost
5. Other

| Class of Instrument | | Currency Derivatives - Swaps, forwards, and other currency derivatives | | | |
|---|---|--|------------------------------|---------------------------------|-------------------------------|
| Notification if <1 average trade per business day in the previous year | | | NO | | |
| Top five execution venues ranked in terms of trading volumes (descending order) | Proportion of volume traded as a % of total in that class | Proportion of orders executed as % of total in that class | Percentage of passive orders | Percentage of aggressive orders | Percentage of directed orders |
| FXall | 100.00% | 100.00% | NA | NA | NA |

Securities Financing Transactions (SFTs) – Stock Borrow

When executing SFTs, Parvus also takes all sufficient steps to achieve the best possible result for its clients. Similarly to other types of traded instruments, the price (that is the borrow fee) and certainty of execution are the main factors. However, the nature and size of the order which will ultimately be reflected in the price, is often to take priority when selecting the counterparty.

| Class of Instrument | | SFTs* | |
|---|---|---|-----|
| Notification if <1 average trade per business day in the previous year | | | YES |
| Top five execution venues ranked in terms of trading volumes (descending order) | Proportion of volume traded as a % of total in that class | Proportion of orders executed as a % of total in that class | |
| Citigroup Global Markets Ltd | 73.09% | 88.10% | |
| Morgan Stanley & Co Intl Plc | 29.91% | 11.90% | |

Notes:

* Includes stock borrows on physically held securities; no short derivatives. Only shown the borrow side of the transaction, not the return.