



Macquarie Investment Management Europe Limited

Best Execution: RTS 28 Report

Published April 2019 for
The period 1 January 2018 to 31
December 2018



Contents

1.	Scope and Application	1
1.1	Purpose of this Report.....	1
1.2	Entities in Scope.....	1
1.3	Activities in Scope	1
1.4	Order Type	2
2.	Execution Factors and Considerations for Determining Best Execution	3
2.1	Best Execution Factors	3
3.	Top 5 Venues by Class of Financial Instrument.....	4
3.1	Currency derivatives: Swaps, forwards and other currency derivatives	4
3.2	Debt Instruments: Bonds.....	4
3.3	Interest rate derivatives: Futures and options admitted to a trading venue	6
3.4	Interest rate derivatives: Swaps, forwards and other interest rate derivatives	6
3.5	Credit Derivatives	8
4.	Monitoring and Assessment of Best Execution	9
4.1	Best Execution Assessment Criteria	9
4.2	Monitoring and Oversight of Best Execution	9
5.	Close Links and common ownerships of trading venues and Conflicts of Interest .	10
5.1	Close Links and Common Ownership	10
5.2	Conflicts of Interest.....	10
5.3	Contact Details	10

1. Scope and Application

1.1 Purpose of this Report

This report has been prepared by Macquarie Investment Management Europe Limited (MIMEL) for the purposes of EU Commission Delegated Regulation (EU) 2017/576 ('RTS 28') that supplements EU Directive 2014/65/EU ('MiFID II') which sets out regulatory technical standards for the annual publication by MiFID II investment firms of information on the identity of execution venues and on the quality of execution.

This report has been prepared to enable clients to evaluate the quality of MIMEL's execution practices and to identify the top five execution venues in terms of trading volumes where investment firms executed client orders in the preceding year.

1.2 Entities in Scope

This document applies to MIMEL, being an investment firm authorised and regulated by the UK Financial Conduct Authority (firm reference number 733534). This document should be read in conjunction with the "Macquarie Investment Management - EMEA Order Execution Policy".

The Macquarie Investment Management - EMEA Order Execution Policy can be viewed at:

<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/disclosures/docs/mim-order-execution-policy.pdf?v=2>

1.3 Activities in Scope

The document sets out the Top 5 venues by instrument type utilised for the execution of client orders in financial instruments where MIMEL has agreed to execute, and where it has categorised a client as a professional client (as that term is defined in MiFID II) and has an obligation of best execution to the client pursuant to article 27 of MiFID II.

MIMEL does not execute client orders for retail clients.

The table below identifies the class of financial instruments in respect of which MIMEL executed client orders for professional clients during the period to which this report relates.

#	Class of Financial Instruments	Client Orders executed by MIMEL?	MIMEL in scope for 'Top 5' Execution Venue Report?
1	Currency derivatives: Swaps, forwards and other currency derivatives	Yes	Yes
2	Debt Instruments: Bonds	Yes	Yes
3	Interest Rate Derivatives: Futures and options admitted to trading on a Trading Venue	Yes	Yes
4	Interest Rate Derivatives: Swaps, forwards and other interest rate derivatives	Yes	Yes
5	Credit derivatives: other credit derivatives	Yes	Yes

1.4 Order Type

MIMEL acts on a discretionary mandate basis in the execution of orders. MIMEL's clients do not specify execution venue for trade execution, nor do they participate in the trading decisions made by MIMEL.

In the subsequent tables, 'directed' orders are not relevant because MIMEL's clients do not direct the trading to a certain execution venue.

'Passive' orders are not relevant because in the nature of MIMEL's business as a buy-side Investment Firm, MIMEL will always be taking liquidity. All MIMEL orders are therefore 'aggressive' orders, as outlined in the subsequent tables.

2. Execution Factors and Considerations for Determining Best Execution

The following summarises the MIMEL approach to best execution and should be read in conjunction with the “Macquarie Investment Management – EMEA Order Execution Policy”.

2.1 Best Execution Factors

MIMEL will take into account a range of different factors (the “Execution Factors”) in deciding how to execute the order.

These include:

- price;
- the cost of execution;
- the need for timely execution;
- the execution venue;
- the likelihood of executing and settling the order (including the fill rate);
- the size of the order;
- the nature of the financial instrument including whether it is executed on a regulated market, multi-lateral trading facility (MTF), organised trading facilities (OTF) or over-the-counter (OTC);
- the market impact of the order;
- liquidity; and
- any other factors that may be relevant to the execution of the order.

MIMEL will determine the relative importance of the above factors by reference to the following execution criteria:

- the characteristics of the client including the categorisation of the client as professional client;
- the characteristics of the client order;
- the characteristics of financial instruments that are the subject of that order; and
- the characteristics of the execution venues and brokers to which that order can be directed.

3. Top 5 Venues by Class of Financial Instrument

3.1 Currency derivatives: Swaps, forwards and other currency derivatives

MIMEL acts in its capacity as portfolio manager on behalf of fund and separately managed account clients for the execution of professional customer orders in currency derivatives.

Class of Instrument	Currency derivatives: Swaps, forwards and other currency derivatives				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution venues ranked in terms of trading volume (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Westpac Banking Corporation (LEI:EN5TNI6CI43VEPAMHL14)	89%	66%	0	100%	0
National Australia Bank Limited (LEI:F8SB4JFBSYQFRQEH3Z21)	8%	27%	0	100%	0
Commonwealth Bank of Australia (LEI:MSFSBD3QN1GSN7Q6C537)	4%	7%	0	100%	0

3.1.1 Execution Factors

The primary factor for determining the execution venue and counterpart for currency derivatives is price. Factors such as liquidity, size of order and probability of execution increase in importance for securities where we have a large order and/or the underlying security is deemed illiquid. The primary use of currency derivatives is for hedging purposes. Execution of currency derivatives is undertaken in compliance with the “Macquarie Investment Management – EMEA Order Execution Policy”.

MIMEL take several factors into account including:

- Price
- Liquidity
- Size of order
- Speed and likelihood of execution
- Market impact of the order

Compared to 2018, the venues and counterparts we traded with are broadly unchanged. There are no specific arrangements concerning rebates or non-monetary benefits with any current execution venues.

3.2 Debt Instruments: Bonds

MIMEL acts in its capacity as portfolio manager on behalf of fund and separately managed account clients for the execution of professional customer orders in debt instruments.

Class of Instrument	Debt Instruments: corporate bonds				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volume (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Bloomberg Trading Facility Limited (MIC: BMTF)	45%	48%	0	100%	0
Tradeweb Europe Limited (MIC: TREU)	30%	36%	0	100%	0
Off-Exchange Transactions - Listed Instruments (MIC: XOFF)	25%	15%	0	100%	0
Bank Of America - Merrill Lynch Instinct X ATS (MIC: MLIX)	0%	1%	0	100%	0
Morgan Stanley and Co. International PLC - Systematic Internaliser (MIC: MSSI)	0%	0%	0	100%	0

3.2.1 Execution Factors

The primary factor for determining the execution venue and counterpart for debt instruments is price. Factors such as liquidity, size of order and probability of execution increase in importance for securities where we have a large order and/or the underlying security is deemed illiquid. Fixed income execution is undertaken in compliance with the “Macquarie Investment Management – EMEA Order Execution Policy”.

MIMEL take several factors into account including:

- Price
- Liquidity
- Size of order
- Speed and likelihood of execution
- Market impact of the order

Compared to 2018, the venues and counterparts we traded with is unchanged. There are no specific arrangements concerning rebates or non-monetary benefits with any current execution venues.

3.3 Interest rate derivatives: Futures and options admitted to a trading venue

MIMEL acts in its capacity as portfolio manager on behalf of fund and separately managed account clients for the execution of professional customer orders in interest rate derivatives.

Class of Instrument	Interest Rate Derivatives: Futures and options admitted to trading on a Trading Venue				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volume (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Archr LLP (LEI:549300ACVHHYSDIK2029)	81%	27%	0	100%	0
Deutsche Bank Aktiengesellschaft (LEI:7LTWFZYICNSX8D621K86)	15%	55%	0	100%	0
Macquarie Bank Limited (LEI:4ZHCHI4KYZG2WVRT8631)	1%	7%	0	100%	0
Morgan Stanley & Co. International PLC (LEI:4PQUHN3JPFGFNF3BB653)	1%	3%	0	100%	0
Goldman Sachs International (LEI:W22LROWP2IHZNBB6K528)	1%	3%	0	100%	0

3.3.1 Execution Factors

The primary factor for determining the execution venue and counterpart for interest rate derivatives is price. Factors such as liquidity, size of order and probability of execution increase in importance for securities where we have a large order and/or the underlying security is deemed illiquid. Execution of interest rate derivatives is undertaken in compliance with the “Macquarie Investment Management – EMEA Order Execution Policy”.

MIMEL take several factors into account including:

- Price
- Liquidity
- Speed and likelihood of execution
- Size of order
- Market impact of the order

Compared to 2018, the venues and counterparts we traded with are broadly unchanged. There are no specific arrangements concerning rebates or non-monetary benefits with any current execution venues.

3.4 Interest rate derivatives: Swaps, forwards and other interest rate derivatives

MIMEL acts in its capacity as portfolio manager on behalf of fund and separately managed account clients for the execution of professional customer orders in interest rate derivatives.

Class of Instrument	Interest Rate Derivatives: Swaps, forwards and other interest rate derivatives				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution venues ranked in terms of trading volume (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Goldman Sachs International (LEI:W22LROWP2IHZNBB6K528)	97%	83%	0	100%	0
Merrill Lynch International (LEI:GGDZP1UYGU9STUHRDP48)	3%	17%	0	100%	0

3.4.1 Execution Factors

The primary factor for determining the execution venue and counterpart for interest rate derivatives is price. Factors such as liquidity, size of order and probability of execution increase in importance for securities where we have a large order and/or the underlying security is deemed illiquid. Execution of interest rate derivatives is undertaken in compliance with the “Macquarie Investment Management – EMEA Order Execution Policy”.

MIMEL take several factors into account including:

- Price
- Liquidity
- Size of order
- Speed and likelihood of execution
- Market impact of the order

Compared to 2018, the venues and counterparts we traded with are broadly unchanged. There are no specific arrangements concerning rebates or non-monetary benefits with any current execution venues.

3.5 Credit Derivatives

MIMEL acts in its capacity as portfolio manager on behalf of fund and separately managed account clients for the execution of professional customer orders in credit derivatives.

Class of Instrument	Credit derivatives: other credit derivatives				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution venues ranked in terms of trading volume (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Merrill Lynch International (LEI:GGDZP1UYGU9STUHRDP48)	100%	100%	0	100%	0

3.5.1 Execution Factors

The primary factors for determining the execution venue and counterpart for credit derivatives are price, size of order and speed of execution. The primary use of credit derivatives is for hedging purposes. In addition to the price we pay particular focus on speed of execution and size of order given the nature of the trades.

Credit derivatives execution is undertaken in compliance with the “Macquarie Investment Management – EMEA Order Execution Policy”.

MIMEL take several factors into account including:

- Price
- Liquidity
- Size of order
- Speed and likelihood of execution
- Market impact of the order

Compared to 2018, the venues and counterparts we traded with is unchanged. There are no specific arrangements concerning rebates or non-monetary benefits with any current execution venues.

4. Monitoring and Assessment of Best Execution

4.1 Best Execution Assessment Criteria

MIMEL will exercise its discretion in determining the Execution Factors (and the relative importance thereof) that MIMEL needs to take into account for the purpose of providing the client with best execution, based on MIMEL's experience and in light of the available market information at the relevant time.

Generally, the highest priority is placed on price. From time to time, MIMEL may also prioritise other factors such as the impact on market prices of displaying and executing the order and the availability of price improvement, or the speed and likelihood of execution and settlement.

There may also be occasions where MIMEL prioritises other Execution Factors including the nature of the order, the characteristics of the financial instruments that are subject to that order and the characteristics of the venue to which that order can be directed.

4.2 Monitoring and Oversight of Best Execution

Representatives from MIM Investment Risk Management, the relevant trading desks and Compliance are involved in various activities relating to monitoring, reviewing and reporting execution quality, including brokers used in trading.

MIMEL monitors the execution provided by the brokers to ensure it is meeting its best execution requirements, that it obtains the best possible result for its clients and that it is aware of any need to make changes to its execution arrangements. The process of monitoring best execution varies by instrument type based on, among other considerations, reasonably available relevant information used to monitor execution and competing venues or brokers and the perceived benefits of potential monitoring activities.

5. Close Links and common ownerships of trading venues and Conflicts of Interest

5.1 Close Links and Common Ownership

The Macquarie Group Limited has investments in the following entities:

- Royal Bank of Canada
- Citigroup Inc
- JPMorgan Chase & Co
- Intercontinental Exchange

5.2 Conflicts of Interest

Please see the Macquarie Group Conflicts of Interest Summary Policy for further details.

Link to Macquarie Group Conflicts of Interest Policy:

<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/disclosures/docs/EMEA-Conflicts-of-Interest-summary-policy.pdf?v=2>

5.3 Contact Details

For further information, please contact: ComplianceEMEA@macquarie.com