

# NCL Investments Limited

## Qualitative Report for Debt Instruments - Bonds & Money Market Instruments

This report was produced by NCL Investments Limited (“NCL”, “we” or “our”) and provides a qualitative order execution assessment for Debt Instruments - Bonds & Money Market Instruments (“debt instruments”), in the format described in Article 3(3) of Commission Delegated Regulation EU/2017/576, for the period 1 January 2018 to 31 December 2018.

### Execution venues

In 2018, NCL executed orders in debt instruments for Smith & Williamson Investment Services Limited (“SWIS”), a Smith & Williamson Group company, and other Professional clients.

A number of different types of execution venue were used when executing orders in this instrument type:

- Multilateral Trading Facilities (“MTFs”);
- Third party investment houses and/or their affiliates acting as a Market Maker or liquidity provider;
- Non EU firms providing similar services.

NCL has neither close links nor any common ownership with respect to any execution venue, or counterparty, used for this instrument type.

We followed a documented procedure when approving brokers and counterparties and have completed all necessary compliance checks.

NCL has policies and procedures in place to monitor any payments, or minor non-monetary benefits, received from third parties to ensure that they are designed to enhance the quality of service to the client and do not impair our ability to act in accordance with the best interests of our clients. In 2018, NCL has not recorded any conflicts of interest with any venues used in this asset class.

### Execution factors

To achieve the best possible result, we have, on a consistent basis, taken into account a number of execution factors, including: price, costs associated with execution, speed of execution, likelihood of execution, the size and nature of the order, and quality of any related clearing and settlement facilities.

We have determined the relative importance of each of these factors and the manner in which each order was executed, based on the circumstances at the time of execution, such as:

- The type of financial instrument and nature of the order;
- The execution venues to which the order could have been directed.

In most cases, price and costs associated with execution (the “total consideration”) were the most important factors, however due to the nature of the markets in these instruments, liquidity may vary significantly and we have therefore in some instances placed highest priority on likelihood of execution.

### Client categorisation

NCL executed transactions on behalf of Professional clients only and as such, client categorisation did not have any impact with regards to order execution arrangements.

## Summary of analysis and conclusions

In 2018, orders in more liquid debt instruments were usually executed electronically, discovering the best available price at the time of execution by obtaining quotes from multiple counterparties. Bloomberg MTF was a top five venue during 2018 for both Bonds and Money Market Instruments due to

use of the venue's RFQ system. As per guidance given in the ESMA Q&A (Question 1.19) we have included below the identity of the top five counterparties against whom we most commonly executed for both Bonds and Money Market Instruments:

### Bonds

Top five investment firms ranked in terms of trading volumes ( <i>descending order</i> )	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class
Royal Bank of Scotland PLC RR3QWICWWIPCS8A4S074	11.47	12.89
Bank of America Merrill Lynch Int'l EYKN6V0ZCB8VD9IULB80	10.42	6.84
CitiGroup Global Markets XKZZ2JZF41MRHTR1V493	10.09	7.78
Barclays Bank PLC G5GSEF7VJP5I7OUK5573	9.31	7.01
RBC Europe Ltd TXDSU46SXBWIGJ8G8E98	8.25	4.61

### Money Market Instruments

Top five investment firms ranked in terms of trading volumes ( <i>descending order</i> )	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class
Toronto Dominion Bank PT3QB789TSUIDF371261	46.92	32.98
HSBC Bank PLC MP6I5ZYZBEU3UXPYFY54	11.10	13.83
Lloyds Bank PLC H7FNTJ4851HG0EXQ1Z70	8.58	6.38
Credit Suisse Europe Ltd DL6FFRRLF74S01HE2M14	6.23	7.45
UBS AG BFM8T61CT2L1QCEMIK50	6.20	11.70

In less liquid instruments, we utilised our relationships with our counterparties, applying our market knowledge and experience to contact the right counterparties and negotiate an optimal price.

The Best Execution Working Group ("BEWG") monitored adherence to the firm's Order Execution Policy and the effectiveness of our order execution arrangements and procedures. Execution quality of orders in this instrument type was reviewed on a monthly basis. Analysis was carried out on trade data using an independent provider of Transaction Cost Analysis ("TCA") as well as the firm's own software and

comparative published data obtained from sources such as Bloomberg. All outliers from this analysis were reviewed by BEWG and any instances identified where NCL did not achieve best execution for its clients were investigated, and in some instances appropriate compensation was paid. On the basis of these reviews, we believe the execution venues used during 2018 enabled us to obtain on a consistent basis, the best possible result for the execution of client orders.

Further information regarding the monitoring carried out on execution quality can be found in the SWIM and SWIS qualitative reports for Debt Instruments.