

NCL Investments Limited

Qualitative Report for Exchange Traded Products

This report was produced by NCL Investments Limited (“NCL”, “we” or “our”) and provides a qualitative order execution assessment for Exchange Traded Products (“ETPs”), 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

NCL executed orders for Smith & Williamson Investment Services Limited (“SWIS”), a Smith & Williamson Group company, or other Professional clients, in UK listed ETPs.

NCL used a number of different types of execution venue when executing orders in ETPs:

- Regulated Markets;
- Multilateral Trading Facilities (“MTFs”);
- Third party investment houses and/or their affiliates acting as a Market Maker or liquidity provider.

NCL has neither close links nor any common ownership with respect to any execution venue 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.

NCL has 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;

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- 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 in markets where liquidity was low, likelihood of execution on some occasions took priority, while in markets where volatility was high, speed of execution was more important.

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

NCL is a member firm of the London Stock Exchange (“LSE”) and as such, all orders in UK listed ETPs were subject to the Rules of the LSE.

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. BEWG have utilised the services of an independent provider of Transaction Cost Analysis (“TCA”) to assist with this monitoring. This TCA tool enabled us to compare the prices achieved by NCL with market prices and other industry standard benchmarks, enabling an in-depth analysis of execution performance. 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.

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