

Smith & Williamson

Investment Management LLP

Qualitative Report for Securitized Derivatives

This report was produced by Smith & Williamson Investment Management LLP (“SWIM”, “we” or “our”) and provides a qualitative order execution assessment for Securitized Derivatives (“Securitized Derivatives”), 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, SWIM transmitted all client orders in Securitized Derivatives to Smith & Williamson Investment Services Limited (“SWIS”), a Smith & Williamson Group company, for execution or further transmission.

SWIM 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, SWIM 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

SWIM transmitted orders on behalf of both Retail and Professional clients, however there was no differentiation in client treatment with regards to order execution arrangements.

Summary of analysis and conclusions

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 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 SWIM 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 SWIS and NCL qualitative reports for Securitized Derivatives.