



ORDER EXECUTION QUALITY REPORT 2017

This report contains the details of the top 5 venues on which Quilter Cheviot Limited ('we' or 'us') has executed client orders and summary analysis of the execution obtained for the year 2017. This report is presented in line with the European Union's Markets in Financial Instruments Directive II (MiFID) and the rules, guidance, principles and codes in the Handbook of Rules and Guidance issued by the UK Financial Conduct Authority or any regulatory body or bodies which may take over their role (FCA).

We recognise the importance of achieving the best possible result when carrying out (executing) trades for you. This is important for maintaining and developing our relationship with you. At all times, we will do our best to act fairly and reasonably in dealing with you.

We, our dealing team, execute client orders in line with the Order Execution Policy and List of Execution Venues which are both published on our website. The report reflects the asset classes that we are active in. Unless stated the commentary reflects all the active asset classes.

Method of execution analysis

We use IFS LiquidMetrix to assist with the analysis of the quality of order execution. LiquidMetrix functionality includes post trade analysis of orders we have executed or transmitted to third parties.

To analyse our execution quality, LiquidMetrix compares all our orders against a benchmark. Different reports are generated to analyse orders for different financial instruments and markets against benchmarks we believe are appropriate. For example where we directly execute a UK equity order the parameters for the benchmark will be different to transmitting an overseas equity order to a third party to execute.

Daily reports are generated of exceptions for orders that have not achieved the benchmarks, as determined by our order execution policy. In addition, where we execute trades, on a monthly basis consideration is given to the price improvement of alternative venues that we do not have access to.

The analysis of execution is undertaken by the Dealing Desk and Compliance. The Dealing and Best Execution Governance Group meets monthly to analyse and challenge the execution quality.

Execution factors

When executing orders we take account of various execution factors including:

- price;
- costs;
- speed of execution;
- likelihood of execution and settlement;
- size of order;
- nature of order;
- type and characteristics of the financial instrument;
- the characteristics of the possible execution venue; and
- any other consideration relevant to executing the order.

Total consideration - is the main factor for deciding the best result for liquid investments. Total consideration is a combination of the price and cost.

Price - being the price in the market.

Costs - are the additional charges for using a venue such as the third party brokerage charges, exchange fees, any settlements cost and FX charges.

Speed, ordinarily orders in liquid securities are routed through electronic platforms.

On occasions the size of an order will be a factor in determining the speed of execution and choice of an execution venue. A large order may have the potential to move the market. When an order is greater than the ordinary market size, to obtain the best price the order is often dealt on a manual basis potentially using different execution venues and market counterparties.

Where orders have been executed orders for professional clients there has been a legitimate reliance on us to obtain best execution. As professional clients have placed a reliance on us, we have not executed professional client orders differently to retail clients.



Changes in Venues

The execution venues are subject to ongoing assessment and review. The Dealing and Best Execution Governance Forum considers the quality of execution of the execution venues whilst the Client Money and Assets Forum assess the financial strength.

During 2017 there was no material change in the list of the top execution venues. Some counterparties were added and removed reflecting changes in the regulations or corporate activity of the execution venues.

Summary of Execution Quality

Below is a summary analysis for orders we executed (not transmitted to a third party) in 2017. Principally the analysis includes UK equity and ETFs. The information is provided as a summary analysis guide.

Benchmarked against all lit venues which includes those venues we do not have access to:

- Percentage of orders that were better than the benchmark price: 89.3%
- Percentage of orders that were equal to the benchmark price: 9.2%
- Percentage of orders that did not meet benchmark or potentially could have been executed on an alternative venue at a better price: 0.6%. Benchmark might not be achieved were there are; client instructions, trade time discrepancy, benchmark errors including large orders.
- For this summary report 0.9% were not benchmarked. On occasion it was not possible to generate a benchmark, reasons would include; insufficient liquidity on lit markets, the market was not continuously trading or in an auction period.

Any instances identified that best had not been achieved were corrected and there was no customer detriment.

Open ended collective investments schemes

Where we invested in an open ended collective investment scheme that is not exchange traded, for example a unit trust, the order was executed with the scheme administrator and dealt at the net asset value (NAV).

Relationships

Conflicts of interest generally arise when two or more parties have close links. We do not have any close links or common ownership with any market counterparts or execution venue that may affect the decisions on how an order is executed. We are a member or participant of the London Stock Exchange and Bloomberg MTF.

Payment and monetary benefits

We do not have any specific arrangements with execution venues to receive any payments or non-monetary benefits for directing orders to a specific venue. Market costs of accessing the UK market were covered by us, for example the London Stock Exchange. Where we are not members of a trading venue, for example foreign markets, any third party costs for access are applied to clients as an additional charge detailed on the contract notes.

Disclaimer

This is the first annual report for the year 2017. The information contained within this report has been completed on a best endeavours basis reflecting that following a change in regulation not all the information prescribed by the regulator was available for 2017.

The following data has not been reported because the data is either not of a sufficient quality or not recorded. The information will be available for the report published in 2019 for 2018 orders.

- a) Executed or Transmitted Orders – We will ordinarily execute orders when we have access to a regulated market for example the London Stock Exchange or Bloomberg MTF. If we do not have access to a market we will transmit the order to a market maker who can execute the order, for example overseas securities.
- b) Aggressive and Passive – A passive order is characterised as an order that is entered into the order book of a trading venue and provides liquidity, whereas an aggressive order is defined as an order that is entered into the orderbook of a trading venue and takes liquidity
- c) Directed Orders – It is very unusual for a client to direct an order to a specific venue.
- d) Retail and Professional – Separate top 5 venue reports have been provided for retail and professional client orders. On occasion retail and professional client orders might be aggregated; it has not been possible to allocate the aggregated orders respectively. On the basis that less than 1% of clients are professional all aggregated orders have been included in the retail client venue reports.
- e) Summary of execution quality excludes fixed income.



Conclusion

The Order Execution Policy was reviewed in December 2017. No material change was made to how orders are executed. The Policy content was updated to reflect regulatory change.

The surveillance and analysis of 2017 execution is consistent with our expectations and the order execution policy. In conclusion, it is determined that overall best execution was achieved and there is no requirement to amend the policy including; execution factors or venues.

Top 5 Venue Report - Retail Clients

Below is a summary report of the top five execution venues for the main financial instruments we are active in. Detailed top 5 execution venue reports can be obtained in the important information section of our website.

Volume - Proportion of volume traded as a percentage of total in that asset class

Orders - Proportion of orders executed as a percentage of total in that asset class

Security type: Shares & Depository Receipts

Venue	% Vol	% Orders
Winterflood	23.65	41.63
Virtu Financial	14.26	16.89
Peel Hunt	12.44	13.39
Investec	7.8	2.12
Numis	5.44	3.43

Security type: Exchange Traded Products

Venue	% Vol	% Orders
Flow Traders	20.67	24.2
Royal Bank of Canada	19.1	22.77
Winterfloods	13.63	13.17
Peel Hunt	13.12	8.6
Winterflood Sec Ltd	10.28	14.49

Security type: Debt instruments, Money markets instruments

Venue	% Vol	% Orders
Smith & Williamson Secs	33.37	35.09
Financial & General Secs Ltd	23.69	5.26
King & Shaxson Ltd	10.84	3.51
Winterflood Secs Ltd	7.84	12.28
BNP Paribas	6.09	3.51

Security type: Debt Instruments, Bonds

Venue	% Vol	% Orders
Winterflood	34.9	66.61
Cantor Fitzgerald	11.73	22.94
BGC	9.02	1.04
Stifel Nicolaus	5.11	0.5
Smith & Williamson	4.73	0.25

Security type: Structured finance instruments

Venue	% Vol	% Orders
Winterflood Secs Ltd	46.53	57.23
Flow Traders	26.4	24.74
HSBC Secs	9.81	0.06
Susquehanna Intl Secs Ltd	6.39	4.2
Virtu Financial Ltd	5.29	8.14

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