

Annual Best Execution Disclosure

EU Regulatory Technical Standard 28 (Annex II)

1 January 2019 to 31 December 2019

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Quaero Capital LLP is registered in England as a limited liability partnership (No. OC314014)
A list of members' names is available for inspection at the registered office address shown above
Authorised and regulated by the Financial Conduct Authority

Annual Quantitative Disclosure: Top 5 Brokers

Under Article 3(1) of the EU Regulatory Technical Standard 28 (RTS 28), Quaero Capital LLP is required to make an annual disclosure of the top five execution venues or brokers with which orders were executed, broken down for each class of financial instrument traded. As Quaero Capital LLP does not carry out direct execution, only the top five brokers will be reported.

Equities – Shares & Depositary Receipts

(Tick Size Liquidity Band 1 and 2)

<i>Notification if <1 average trade per business day in the previous year</i>	N	
<i>Top five brokers ranked in terms of trading volumes (descending order)</i>	<i>Proportion of volume traded as a percentage of total in that class</i>	<i>Proportion of orders executed as a percentage of total in that class</i>
Instinet Europe Limited (LEI: 213800MXAKR2LA1VBM44)	39.3%	27.7%
Daiwa Capital Markets Europe Ltd (LEI: MIM2K09LFYD4IB163W58)	19.1%	23.0%
Credit Suisse Securities (Europe) Limited (LEI: DL6FFRRL74S01HE2M14)	17.6%	16.3%
Mizuho International Plc (LEI: 213800HZ54TG54H2KV03)	8.8%	6.9%
MUFG Securities EMEA Plc (LEI: U7M81AY481YLIOR75625)	8.0%	15.2%

Equity Derivatives

(Swaps and other equity derivatives)

Notification if <1 average trade per business day in the previous year	Y	
Top five brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class
Mizuho International Plc (LEI: 213800HZ54TG54H2KV03)	47.6%	57.7%
Daiwa Capital Markets Europe Limited (LEI: MIM2K09LFYD4IB163W58)	28.2%	30.8%
Nomura International plc (LEI: DGQCSV2PHVF7I2743539)	22.9%	7.7%
SMBC Nikko Capital Markets Limited (LEI: G7WFA3G3MT5YHH8CHG81)	1.3%	3.8%

Annual Qualitative Disclosure: Quality of Execution Obtained

Under Article 3(3) of RTS 28 and/or Article 65(6) of the MiFID II Delegated Organisational Regulation, Quaero Capital LLP is required to provide a summary of the analysis and conclusions drawn from the execution quality monitoring that the Firm has undertaken for each class of financial instruments traded for clients during the period.

This analysis covers the following two classes of financial instruments traded during the period:

- Equities – Shares & Depositary Receipts
- Equity Derivatives

In terms of the relative importance given to execution factors, price is prioritised as the most important factor. This will either be the highest total price or the lowest total price (net of costs and fees) depending on the direction of the trade. Where the price offered by two or more brokers are identical or within a narrow range, or cannot be reliably determined in advance, then the one with the lowest overall cost of execution will be chosen. For Equity instruments, as the firm typically trades multi-cap Japanese and Asian equities which are highly liquid, standard prioritisation of execution factors will apply.

The firm also typically executes OTC trades in relation to convertible bonds subject to an ISDA agreement. These are generally bespoke instruments and are categorised as Equity Derivatives for the purposes of this disclosure. The firm acts in a discretionary capacity for clients when executing orders in OTC markets. This involves using our experience and professional judgement to determine which counterparties to approach to quote a price. Where possible, multiple counterparties will send in daily price indications in order to put them in competition with each other and therefore provide a price discovery mechanism for the trade in question. Generally, the best price will be selected from this list, unless this is overridden by the prioritisation of other execution factors over price due to the specific characteristics of the trade, such as different Asset Swap Levels and whether the indication is an outright indication or on swap referencing an equity price. An audit trail of all indications received prior to execution will be kept on record.

As these are bespoke financial instruments, it is generally not possible to obtain multiple quotes. Internal models are generated to establish the fair price for the trade and therefore to assess the fairness of the prices being offered. These models are based on external market data and/or externally verifiable reference prices, where available. A record of these internal models and fair price calculations are maintained for use in the periodic monitoring of execution quality.

Where choice of venue may be limited because of the nature of the order or of the client's requirements, best execution is regarded as demonstrated by the achievement of the desired trade at a price deemed appropriate by the investment manager. The other execution factors do not typically determine the way a trade is executed, although on occasion where there are specific relevant circumstances these factors may be escalated in prioritisation. These situations are specified in the firm's Best Execution Policy.

The ongoing monitoring of execution quality and 'first line' controls are undertaken by our portfolio managers with independent scrutiny carried out by our compliance function as the 'second line of defence'. The first and second lines of defence are therefore primarily responsible for ex ante and ex post monitoring of best execution on an ongoing basis, with oversight of this monitoring undertaken by senior management by way of the Executive Committee.

Execution fees paid over the period for equity trades ranged between 5 and 10 basis points. The firm used price feed data, market prices and intra-day ranges to establish and perform its execution quality analysis. Where available, the firm also considered RTS 27 and RTS 28 reports when reviewing brokers during the period under review. The Firm believes that its execution policy was adhered to over the period, and that following this policy has delivered best execution for its clients over the period. This analysis will feed into the Firm's annual review of its execution policy at which time further enhancements may be considered as required.

The firm does not have any close links, common ownership or other relationships with any brokers of the brokers used that would give rise to conflicts of interest, or any specific arrangements to report with any brokers regarding payments made or received, discounts, rebates or non-monetary benefits received. Neither does it use any brokers who are DEA providers or Consolidated Tape Providers in its execution quality analysis. It is noted that there were not any authorised Consolidated Tape Providers in Europe during the period under review.

The firm currently only deals with Professional Clients, and its execution policy does not differentiate between clients.