

Macquarie Infrastructure Debt Investment Solutions

Order Execution Policy



Date updated: July 2019, version 1.2

Policy owner: MIDIS Investment Team

Policy statement: In accordance with regulatory obligations in the Financial Conduct Authority (FCA) Conduct of Business Sourcebook (COBS), the Macquarie Infrastructure Debt Investment Solutions business (MIDIS) is required to establish and implement this Order Execution Policy which ensures it obtains the best possible result for its clients when dealing in financial instruments as defined in the FCA Handbook.

Annual review: This policy is to be reviewed on an annual basis.

General

This Policy is provided to MIDIS clients (being professional clients) of Macquarie Investment Management Europe Limited (MIMEL) and affiliated MIDIS entities (Clients).

This Policy summarises the approach adopted by MIDIS, to ensure that it complies with its obligation to:

1. act in the best interests of its clients when placing orders with brokers and other entities for execution that result from decisions by MIDIS to deal on behalf of its clients in financial instruments; and
2. take all sufficient steps to achieve the best possible result for its clients when directly executing orders with or on an execution venue¹ on behalf of its clients, or via a broker.

This Policy sets out:

- The critical factors affecting the approach to client order execution and the applicability of these to different asset classes;
- The execution brokers that Macquarie generally intends to use to enable it to obtain on a consistent basis the best possible result for the execution of client orders; and
- An overview of the procedures adopted by Macquarie to monitor its execution arrangements and this Policy.

It should be noted that financial instruments for the purposes of this Policy do not include certain transactions, including spot foreign exchange. However forward FX is included in this Policy.

MIDIS places orders and executes transactions under this Policy in the asset classes identified with a tick below.

A	Debt instruments	
	Bonds	√
B	Currency derivatives	
	Swaps, forwards, and other currency derivatives	√

Should MIDIS trade assets classes not included above or detailed in this policy, then this would be subject to the **New Product Approval Policy** and MiFID implications will be considered at this time.

¹ In this Policy, "execution venue" means where MIDIS executes an order directly with a counterparty or on an exchange or other trading system. 'Execution venue' includes a regulated market, an MTF, an OTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the function performed by any of the foregoing.

Application

This Policy provides a framework for ensuring that MIDIS achieves the best possible result for its clients, when placing and executing orders on their behalf. This obligation applies whenever MIDIS owes clients contractual obligations.

This Policy is required by the FCA rules, which implement MiFID². It should be noted that complying with best execution does not mean that we must or can obtain the best possible results on every transaction but does require us to verify on an on-going basis that these execution arrangements work well throughout the different stages of the order execution process.

It should be noted that the best execution requirement and the methods of achieving it as set out in this Policy do not apply where clients provide MIDIS with a specific instruction as to the execution of an order that MIDIS accepts. If there were to be a specific instruction from a client then MIDIS must execute the order in accordance with it. **This may prevent MIDIS from taking the steps that it has designed and implemented in this Policy to obtain the best possible result for execution of the client order (or part-order).** Where the specific instruction only applies to a part or aspect of that order, the remaining parts or aspects of the order will be subject to best execution.

Whenever MIDIS acts as Portfolio Manager, it will:

- act in accordance with the best interests of the clients when placing orders with brokers for execution that result from decisions by it to deal in financial instruments on behalf of such clients; and
- take all sufficient steps to obtain the best possible result for the clients, when directly executing orders with or on an execution venue on behalf of such clients.

Dealing outside trading venues

To the extent that Macquarie executes transactions on behalf of clients in financial instruments that are admitted to trading on a trading venue (i.e. a regulated market, MTF or OTF), but executes those transactions outside of a trading venue, it must obtain consent from its clients' to this. Clients are requested to consent to this as part of the Investment Management Agreement.

It may be more difficult to obtain accurate pricing information because OTC trades may be negotiated and priced individually and there is no central source for obtaining price information from competing brokers. Additional information may be requested about the consequences of our executing in this way outside a trading venue, either generally or for specific transactions.

Execution Venues and Brokers

1.1 Selection of execution venues and brokers

Appendix 1 of this Policy includes details of execution brokers which MIDIS has accessed at the time of last Policy update in respect of each class of financial instruments when executing and placing orders.

To date, MIDIS has not traded directly on Execution Venues on behalf of clients and as such does not evaluate the selection or information relating to venues. Should this practice change in future, then Execution Venues will be added to the Appendix and incorporated in relevant evaluation procedures.

1.2 Best Execution Criteria

1.2.1 Listed bonds

In choosing execution brokers, MIDIS may take into account the following qualitative factors (amongst others) in order of importance:

- Availability of instrument on a trading venue, via the broker
- Costs of execution and settlement; and
- Resilience.

Generally, the highest priority is placed on availability because the listed bond instruments MIDIS trades are only available through a specific broker, on a nominated execution venue. In these circumstances, MIDIS does not have the ability to determine or control which execution venue is chosen as this is pre-determined by the counterparty to the trade.

² This is the Markets in Financial Instruments Directive 2014/65/EU

Where MIDIS aggregates orders for different clients, such aggregation will occur fairly and proportionately, in accordance with the **MIDIS Allocation Policy**. The MIDIS Allocation Policy also sets out how MIDIS executes client orders promptly and fairly, relative to other client orders.

1.2.2 Swaps, forwards, and other currency derivatives

In choosing execution brokers, MIDIS may take into account the following qualitative factors (amongst others) in order of importance:

- Costs of execution and settlement (including collateral requirements)
- Speed of execution and settlement
- Resilience; and
- The creditworthiness of the counterparties on the venue or the central counterparty.

MIDIS will execute currency derivatives in line with **MIDIS Foreign Exchange Hedging Policy and Procedures**.

In relation to all these asset classes, we may choose to utilise either affiliated or non-affiliated brokers to assist in the execution of client trades and we will seek to mitigate any conflicts of interest where we execute with affiliates in accordance with **MIDIS Conflict of Interest Policy**.

Monitoring, Policy Review and Updates

1.3 Monitoring

Annual broker information

In addition to the information contained in this Policy we will summarise and make public on an annual basis, for each class of financial instrument identified in this Policy, the top five brokers to whom we transmit orders for execution, in terms of percentage trading volumes, in the preceding year. This will include information on the quality of execution obtained in line with the criteria noted above. This information will be published on our website (www.macquarie.com/eu) by 30th April each year for a minimum of 2 years after publication.

MIDIS carries out analysis of the quality of execution obtained from our brokers to verify that the best possible results have been obtained for clients, in line with documented procedures. There are procedures in place to escalate any information of note from this ongoing analysis to MIDIS management to drive improvements in the firm's processes.

The execution brokers identified must have execution arrangements that will enable MIDIS to comply with this Policy and its obligations in relation to best execution. This is assessed through periodic review of information published by the brokers.

1.4 Client notification/consent requirements

MIDIS has an obligation to provide clients with appropriate information on this Policy. In order to comply with this obligation, Macquarie will provide clients with access to the Policy which will be published on its website.

1.5 Policy review

MIDIS will review this Policy at least annually, or whenever a material change occurs that affects its ability to obtain the best possible result for clients in the execution of orders or when new regulations affect the Policy. Material events can be defined as any change in systems, processes or relationships which will have an impact on its ability to achieve best execution.

If a material event occurs, this execution Policy and internal procedures will be reviewed at the earliest opportunity to ensure that they remain effective in ensuring MIDIS is still able to offer best execution.

Upon completion of the review of this execution Policy, Macquarie will notify clients of any material changes to the order execution arrangements or the Policy and will publish the new policy on the website.

Information available on request

If you require further information about our Policy and arrangements for best execution and how we review them please let us know. We will be pleased to answer reasonable and proportionate requests from our clients at any time.

Appendix 1 – Execution brokers for all asset classes

The following is a non-exhaustive list of brokers used by MIDIS since inception to execute orders together with a general description of MIDIS' approach. Any additional brokers used, but not listed here, will nevertheless still have been selected in accordance with the Policy.

Debt instruments

This broad asset class includes government and corporate bonds, convertible and exchangeable bonds, commercial paper, asset-backed securities, mortgage-backed securities, certificates of deposit, structured debt securities and includes repo and reverse repo transactions in relation to debt instruments. MIDIS' involvement is typically limited to corporate bonds.

MIDIS will use reasonably available and relevant sources of price discovery, including, but not limited to, market transaction prices on the same or comparable financial instruments. For certain transactions, there may be only one potential broker.

Derivative instruments

This asset class includes options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.

Disclosure of venues and brokers

Details of the specific execution brokers used by MIDIS are set out below in respect to the relevant asset classes, which are relevant to the disclosure of top five brokers by volume under FCA Rules implementing MiFID.

MIDIS mainly executes over the counter, transacting bilaterally with the broker.

Instrument class	Brokers
Bonds	Goldman Sachs International
Bonds	HSBC Bank Plc
Bonds	Deutsche Bank (B+D); Deutsche Bank AG, London Branch
Bonds	Morgan Stanley
Bonds	Royal Bank of Scotland Plc
Bonds	Lloyds Bank Plc
Bonds	J.P. Morgan Securities Plc
Bonds	Banco Santander, S.A.
Bonds	Caixa Bank, S.A.
Bonds	NatWest Markets
Bonds	Commodities and Global Markets, via Macquarie Bank Limited, London Branch (MBL LB)
Currency derivatives	Commodities and Global Markets, via MBL LB
Currency derivatives	RBSi
Interest rate derivatives	Commodities and Global Markets, via MBL LB