



MACQUARIE



# Order Execution Policy

Macquarie Investment Management

Europe S.A. (MIME S.A.)

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**Policy owner:** MIME S.A. Chief Investment Officer

# 1. Policy Statement

In accordance with regulatory obligations of the Commission de Surveillance du Secteur Financier (“**CSSF**”) and Markets in Financial Instruments Directive II (Directive 2014/65/EU) (“**MiFID II**”) Macquarie is required to establish and implement an Order Execution Policy (the Policy) which ensures it obtains the best possible result for its clients when dealing in financial instruments. This document sets out the Policy.

In order to trade with or through us, you are required to consent to this Policy and our terms and conditions for business, which you have accepted includes this consent.

# 2. Scope and Application of this Policy

This Policy is provided to you as a professional client. Macquarie does not have permission to act for retail clients and this Policy is therefore not directed at or intended for such persons. If and to the extent we at any time carry on business other than portfolio management and advisory business with you, then we may classify you for that business as an eligible counterparty client. Eligible counterparty clients are not entitled to best execution under MiFID II requirements.

“Macquarie” for the purposes of the Policy means: Macquarie Investment Management Europe S.A.<sup>1</sup>

This Policy summarises the approach adopted by Macquarie, 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 Macquarie 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 venue<sup>2</sup> on behalf of its clients.

This Policy sets out:

- The critical factors affecting the approach to client order execution and the weighting methods applied to such factors;
- The execution venues and 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.

Macquarie places orders and executes transactions under this Policy in the following asset classes. Further information about the brokers and execution venues used is available on <https://www.macquarie.com/uk/about/disclosures/uk-and-eu-disclosures>.

MiFID II Asset Class <sup>3</sup> and Sub Class Where Relevant	Relevant to this policy?
<b>Equity</b> – Shares & Depository Receipts	Yes
<b>Currency Derivatives</b> - Swaps, forwards, and other currency derivatives	Yes

<sup>1</sup> Pre the implementation of Aladdin MIME S.A. transmits orders with other client appointed execution venues and does not execute trades directly itself.

<sup>2</sup> In this Policy, “execution venue” means where Macquarie executes an order directly with a counterparty or on an exchange or other trading system (for example, by dealing directly with a market maker on a “request for quote” basis or by accessing an exchange directly using a direct market access (DMA) system), the counterparty, exchange or trading system with whom Macquarie chooses to execute such a transaction. ‘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.

<sup>3</sup> These asset classes correspond to asset classes as defined for the purposes of reporting on the execution venues used as required under MiFID II Commission Delegated Regulation (EU) 2017/576.

### 3. Application

This Policy provides a framework for ensuring that Macquarie achieves the best possible result for its clients, when placing and executing orders on their behalf. This obligation applies whenever Macquarie owes you contractual or agency obligations. When we are conducting portfolio management and advisory business with you, we will usually owe you contractual or agency obligations.

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.

### 4. Obligations Under the Policy

All Macquarie employees who are responsible for placing orders with brokers for execution by those brokers and/or for directly executing transactions on behalf of clients must ensure that any such activities are conducted in accordance with the requirements and guidance set out in this Policy.

Whenever Macquarie 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.

#### 4.1 Best Execution Factors

Specifically, Macquarie will take into account a range of different execution factors in deciding how to place an order for execution. These include:

- price;
- the cost of execution;
- the need for timely execution;
- the execution venue;
- the likelihood of executing and settling the order (including the fill rate);
- the size of the order;
- the nature of the financial instrument including whether it is executed on a regulated market, multi-lateral trading facility (MTF), Organised Trading Facility (OTF) or over-the-counter (OTC);
- the market impact of the order;
- liquidity; and
- any other factors that may be relevant to the execution of the order.

Where Macquarie aggregates orders of different clients, such aggregation will occur fairly and proportionately, in accordance with its Policy on order handling, execution and allocation.

Generally, the highest priority is placed on price. From time to time, Macquarie may also prioritise other factors such as the impact on market prices of displaying and executing the order and the availability of price improvement, or the speed and likelihood of execution and settlement.

There may also be occasions where Macquarie prioritises other factors including the nature of the order, the characteristics of the financial instruments that are subject to that order and the characteristics of the venue to which that order can be directed. In particular, Macquarie may prioritise other factors:

- where there is insufficient liquidity available on a particular execution venue which prevents Macquarie from executing the order in full;
- where other circumstances exist such that obtaining the best immediately available price may not provide the best possible result for the client.

## 4.2 Best Execution Criteria

Macquarie will determine the relative importance of the above factors by reference to the following execution criteria:

- the characteristics of the client including the categorisation of the client as professional client;
- the characteristics of the client order;
- the characteristics of financial instruments that are the subject of that order; and
- the characteristics of the execution venues and brokers to which that order can be directed.

## 4.3 Client notification/consent requirements

Macquarie 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.

To the extent that Macquarie makes any material changes to this Policy (whether pursuant to the review process or otherwise), it is obliged to notify the changes to clients.

## 4.4 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 Macquarie's terms of business which are provided to clients at the time of on-boarding. Subject to the mandatory obligation (for listed shares and certain derivatives under MiFID II), Macquarie may execute trades outside a trading venue. If we do this then you should be aware of the potential consequences. There may be greater counterparty/credit risk when executing OTC because you will not be passing the credit risk on to an intermediary such as a central counterparty clearing house (CCP). It may be more difficult for you 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 dealers.

# 5. Execution Venues and Brokers

## 5.1 Selection of Execution Venues and Brokers

Appendix 1 of this Policy includes details of execution venues and brokers which Macquarie accesses in respect of each class of financial instruments when executing and placing orders. Macquarie considers that participation

in these execution venues and engagement of these brokers will enable it to obtain on a consistent basis the best possible result for clients in the execution and placing of orders. The execution venues and brokers identified must have execution arrangements that will enable Macquarie to comply with this Policy and its obligations in relation to best execution.

Subject to applicable local laws and regulations, Macquarie may seek to execute all or part of an order by netting/crossing it 'internally' with a matching order for another client if Macquarie believes that it can trade to the advantage of (or at no disadvantage to) both clients.

Otherwise, execution venues on which Macquarie places orders may include:

- EEA Regulated Markets;
- EEA MTFs;
- EEA OTFs;
- Systematic internalisers (principal traders and market makers);
- Electronic Communication Networks (ECNs); and
- Other liquidity providers (which includes non EEA entities that perform a similar function to the other execution venues listed above).

It should be noted that Macquarie may use one or more trading methods or brokers / execution venues to fill one order; and when applicable, Macquarie seeks to mitigate counterparty credit risk by transacting with counterparties approved as execution venues and brokers. When Macquarie does internal netting or crossing transactions, the transaction is executed at the mid-point of the prevailing bid-offer spread (as determined at the time of the closing of the market relevant to that order).

Macquarie does not receive any benefits from execution venues.

## 5.2 Execution Venue Selection Process

In choosing execution venues Macquarie may take into account the following qualitative factors (amongst others):

- Depth of liquidity of the relevant market;
- Relative volatility on the market;
- Speed of execution and settlement
- Costs of execution and settlement
- Volume and frequency of trading
- Resilience
- The creditworthiness of the counterparties on the venue or the central counterparty
- Liquidity analysis
- Market share
- Breadth of market coverage

Macquarie will determine the relative importance of the above factors based on the particular order or transaction. Cost and speed of execution will usually rank highest as factors but other factors may rank more highly in specific scenarios.

Taking the above factors into account Macquarie selects execution venues based on available data, including the quarterly execution data that the execution venues are required to publish for relevant market segments in accordance with MiFID II. Macquarie's process will also consider the execution strategies that Macquarie finds necessary to employ, for example: at market orders, block orders and good to cancel orders.

Macquarie conducts an ongoing analysis of the quality of execution obtained by our specified execution venues to verify that the best possible results have been obtained for clients.

In relation to some asset classes as disclosed in the details of our brokers, Macquarie may choose to utilise either affiliated or non-affiliated brokers to assist in the execution of client trades and shall seek to mitigate any conflicts of interest where Macquarie executes with affiliates.

### 5.3 Broker Approval Process

Macquarie has a process for the selection of brokers, with whom it places orders on behalf of clients. The specific qualitative criteria to add a new broker relationship varies based on the asset class to be traded. Macquarie has taken care to select those brokers that, in its view, consistently provide a high-quality execution service in relation to that asset class. The overall approval process is in principle applied in the same manner across all asset classes.

The on-boarding process of adding a new broker includes screening the entity from an anti-money laundering (AML) and know-your-client (KYC) perspective.

Additionally, at the on-boarding stage of a new broker, the broker goes through an evaluation process. The criteria to add a broker are generally based on evaluation of several quantitative and qualitative factors that may be reflective of Macquarie's perception of the brokers and may include (as applicable), but are not limited to:

- Quality of execution and service, both historical and current;
- The cost of trading with the particular broker;
- Access to markets, to alternative markets, and trading venues;
- Promptness/speed/latency of execution;
- Credit-worthiness and risk profile;
- Clearance and settlement efficiency and capabilities;
- Competitiveness of commission rates or spreads provided;
- Financial strength; and
- Reputation.

Macquarie shall determine the relative importance of the above factors based on the particular order or transaction. Cost and speed of execution will usually rank highest as factors but other factors may rank more highly in specific scenarios.

Where Macquarie places an order with a broker for execution by that broker, Macquarie is not responsible for controlling or influencing the arrangements made by the broker relating to the execution of that order (e.g. Macquarie does not control the broker's choice of execution venues, such as exchanges, multilateral trading facilities or internal dealing facilities). Macquarie is not required to duplicate the efforts of the broker to whom an order is passed in ensuring the best possible result. Macquarie's obligations are, therefore, to ensure that the brokers listed in this Policy are the ones who will assist it to comply with its best execution obligations (by delivering the best possible result) and that orders are passed to those brokers in accordance with the Policy.

#### **Executing/Placing Orders with Execution Venues/Brokers that are not listed in Appendix 1**

Macquarie employees must not directly execute decisions to deal with an execution venue or place orders with a broker that is not referenced in respect of the relevant asset class in Appendix 1 Policy, unless there are exceptional circumstances. Exceptional circumstances might include where Macquarie wishes to trade in an unusual financial instrument that cannot be executed with or by one of the execution venues or brokers already listed (either at all or in a manner that would be likely to achieve the best possible result for the client). Any execution of a transaction with an execution venue or placing of an order with a broker that falls outside the list of execution venues and brokers for that asset class must be pre-approved by MIM Investment Risk Management.

#### **Annual execution venue and broker information**

In addition to the information contained in this Policy, Macquarie will summarise and make public annually, for each class of financial instrument identified in the Policy, the top five execution venues where Macquarie executes orders and the top five brokers to whom Macquarie transmits orders for execution, in terms of trading



volumes, in the preceding year. This will include information on the quality of execution obtained. This information will be published on our website [www.macquarie.com](http://www.macquarie.com) by April 30 each year.

### **Information available on request**

If you require further information about Macquarie's Policy and arrangements for best execution and how they are reviewed please contact us. Macquarie is pleased to answer reasonable and proportionate requests from its clients at any time.

## **6. Monitoring, Policy Review and Updates**

### **6.1 Monitoring**

Macquarie must monitor on a regular basis the effectiveness of its order execution arrangements and this Policy to identify and, where appropriate, implement any enhancements. Macquarie will assess, on a regular basis, whether the execution venues included in the Policy and the entities to whom Macquarie transmits orders for execution provide for the best possible result for the client or whether Macquarie needs to make changes to its execution arrangements.

MIM monitors the execution provided by the brokers to ensure it is meeting its best execution requirements, that it obtains the best possible result for its clients and that it is aware of any need to make changes to its execution arrangements.

The process of monitoring best execution varies by instrument type based on, among other considerations, reasonably available relevant information used to monitor execution and competing venues or brokers and the perceived benefits of potential monitoring activities. Checks will be carried out prior to execution and after execution to identify circumstances under which changes in this Policy are required. Pre execution monitoring includes ensuring that policies consider new products. We also monitor the fairness of our pricing by checking external market data.

MIM Investment Risk Management, in conjunction with the front office, monitor for best execution by aiming to identify any evidence of poor execution on a sample basis. This is accomplished by utilising historical trade data stored in internal systems, as well as pricing data available from third party platforms, to evaluate trade execution. For transactions where price was the most important execution factor, this will involve a review of executed prices against prices that were available at the time of execution. The Best Execution Committee meets quarterly to review a selected set of equity trades.

On a sample basis where the monitoring processes described above indicate that the price obtained is significantly different from the available prices at the time of the trade, the Best Execution Committee will discuss this with the relevant member of staff who effected the transaction and determine whether, bearing in mind the other factors that the trader considered to be of importance (e.g. size and nature of order) at the time, the best result was nevertheless achieved. In the context of such discussions, where the trader indicates that another execution factor was the most important (e.g. speed of execution), the Best Execution Committee will consider whether the best possible result was achieved in terms of that factor and again whether, bearing in mind the other factors that the trader considered to be of importance at the time (e.g. price, size and nature of order), the best result was nevertheless achieved.

Representatives from MIM Investment Risk Management, the relevant trading desks and Compliance are involved in various activities relating to monitoring, reviewing and reporting execution quality, including brokers used in trading. Macquarie monitors its brokers as described above, including the applicability of strict counterparty exposure limits and the reputational risk of those brokers on an ongoing basis.

If such representatives conclude that the best possible result for the client was not achieved, Macquarie will also record (if applicable) whether this was because the relevant member of staff failed to follow this Policy (e.g. using a broker or execution venue that is not listed for the relevant asset class) or because of a deficiency in this Policy (e.g. the track record of the relevant broker or execution venue indicates that it should no longer be included in it). Compliance may make changes to this Policy depending upon the outcome of the monitoring process.

## Policy Review

Macquarie will review its order execution arrangements and the 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. As part of the review, Macquarie will consider whether it would obtain better results for clients if we were to:

- include additional or different execution venues or brokers (for the relevant asset class);
- assign a different relative importance to the execution factors (for the relevant asset class); or
- modify any other aspects of this Policy and/or its execution arrangements.

An ad hoc review process will be initiated if there is an event that prompts a material change to 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.

Examples of material events include the implementation of a new trading platform/algorithm, or significant technical issues, both internal and external, which may have an impact on the ability to achieve best execution.

If a material event occurs, this execution Policy and internal desk procedures will be reviewed by the Best Execution Committee at the earliest opportunity to ensure that they remain effective in ensuring Macquarie 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.

The Policy and any updates are also available to clients in hard copy upon request.

## 7. MIME S.A. addendum

This addendum applies where Macquarie:

- 1) Does not execute transaction for or on behalf of the institutional investors on the stock exchange (in such cases the client contracts directly with the broker), or
- 2) The client has a chosen broker and Macquarie is directed to use that broker for all trading.

For 1) above Macquarie undertakes no trade or settlement function and consequently does not have any contracts with brokers. As a result, Macquarie is not able to assert that best execution occurs.

### 7.1 Trade recommendations

Clients captured by this addendum, have chosen their own brokers. The Portfolio Managers use the services of the different brokers chosen by the clients for trading the selected stocks. The Best Execution Committee performs regular controls on the brokers' performance and fees. During these controls it is the responsibility of the Best Execution Committee to perform a comparison between brokers on active trades where instructions are similar. It is also the responsibility of the Best Execution Committee to confirm with the broker used, that it is offering the client the best broking fee arrangements in place for similar services.

### 7.2 Best execution

Where Macquarie has no discretion with respect to the direction of the brokerage transactions (because the client has directed the use of a specific broker or if Macquarie are merely providing a model portfolio and not trading on a client's behalf), Macquarie shall have no obligation to determine whether complying with the direction affords best execution. It will, however, seek to monitor the broker's implementation as outlined above.



## Appendix 1: Execution Venues and Brokers for all Asset Classes

When taking all sufficient steps to obtain the best possible results for its clients, Macquarie applies different execution methodologies depending on the relevant asset class. This section describes the policies and factors considered generally and for each asset class and the process for determining the relative importance that it places on the various applicable execution factors when it executes or arranges transactions in financial instruments for clients. In relation to all asset classes, Macquarie will take into account the total consideration (i.e. the price of the financial instrument including the costs related to execution such as its own fees, clearing and settlement fees, as well as any other fees paid to third parties involved in the execution of client orders) involved when executing or arranging transactions for clients.

The following provides a description of Macquarie's approach to executing orders across the asset classes which are relevant. Full details of the venues and brokers are set out in detail on the website at [www.macquarie.com/uk/about/disclosures/uk-and-eu-disclosures](http://www.macquarie.com/uk/about/disclosures/uk-and-eu-disclosures). We disclose these details on our website so that we can keep this as up to date as possible across the asset classes/subclasses. Where there are many possible venues, only those venues that Macquarie place significant reliance on are listed in our venue disclosure. Any additional venues used, but not listed in the venue disclosure on the Macquarie website, will nevertheless still have been selected in accordance with the Policy.

### Equity – Shares & Depository Receipts

Equity and Equity-like instrument (such as ETFs, Global Depository Receipts (GDRs) / American Depository Receipts (ADRs)) transactions are generally executed by Macquarie via brokers which have access to the relevant exchanges for execution and which are believed to have expertise and the required understanding of Macquarie's trading objectives.

Subject to any specific instructions that may be given by a client when executing orders on a client's behalf or placing or transmitting orders, Macquarie will take all sufficient steps to obtain the best possible result taking into account the *Execution Factors* listed below.

#### *Execution Factors*

- a) The Execution Factors that will be taken into account are: price; costs; speed; likelihood of execution and settlement; size; nature or any other consideration relevant to the execution of the order.
- b) Price will always merit a high relative importance in obtaining the best possible result. However, in some circumstances, for some clients, orders, financial instruments or markets, we may appropriately determine that other Execution Factors are as or even more important than price in obtaining the best possible execution result for the client.

Macquarie will determine the relative importance of the Execution Factors by using its commercial judgment and experience in light of market information available and taking into account the *Execution Criteria* listed below.

#### *Execution Criteria*

The Execution Criteria that will be taken into account when weighting the Execution Factors are the characteristics of the:

- client;
- order;
- financial instruments that are the subject of that order; and
- execution venues to which that order can be directed.

In certain markets and subject always to any specific instructions that may be given by our clients, Macquarie may transmit an order Macquarie receives to Third Party Brokers, for execution. Macquarie keeps the performance of Third Party Brokers under review including the formal evaluation of their performance to help ensure appropriate standards of execution.

### Currency derivatives

Macquarie executes standard FX forward contracts to hedge against market risk. These transactions are usually instructed bilaterally with a broker considering price (including costs) as the most important factor.