



RWC Partners Limited Best Execution Disclosure 2018

APRIL 2019



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### Introduction

Following the implementation of MIFID II on 3<sup>rd</sup> January 2018, we are pleased to provide annual disclosures regarding which execution venues we have used by asset class and how we assess the quality of these executions.

We take all sufficient steps on a consistent basis to obtain the best possible result when executing orders on behalf of our clients. In obtaining the best possible results (rather than merely the best price) we take into account the execution criteria and factors applicable to the particular type of transaction.

Best execution applies to all financial instruments although execution factors are considered and applied as appropriate to different instrument types depending on relative importance. For example, OTC financial instruments have a unique contractual relationship tailored to the circumstances of a client and so are not comparable with transactions involving traded securities.

We have implemented an order execution policy to take into account the relevance and importance of the execution factors for the various types of financial instruments, execution venues and intermediaries to which an order can be directed.

We treat all clients equally unless a client has made a specific execution venue request. We do not accept or execute retail client orders.

### **RWC Partners Limited Best Execution Disclosure 2017 available here**

## EQUITIES – Shares & Depositary Receipts

Client type	Class of Instrument		Period start	Period end	Notification if <1 average trade per business day in the previous year
Professional	Equities – Shares & Depositary Receipts Tick Size Liquidity Bands 1 and 2		01/01/2018	31/12/2018	N
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
China Intl. Capital Corp	10.88%	15.87%	35.42%	60.51%	0.00%
Morgan Stanley Dean Witter	6.98%	1.52%	33.45%	63.96%	0.00%
UBS International	5.21%	0.25%	49.30%	29.51%	0.00%
Credit Suisse First Boston	4.59%	0.21%	45.25%	47.74%	0.00%
JP Morgan	4.51%	1.24%	38.75%	54.63%	0.00%

### Execution factors

For developed market / liquid equities, unless otherwise stated, the ranking of the best execution factors for equities is typically:

1. Price
2. Cost of execution
3. Speed and likelihood of execution

The remaining factors are generally given equal ranking.

For less developed markets or less liquid equities, the likelihood of execution increases in importance as a factor, particularly when the size of order is material versus average daily volume.

## EQUITIES – Shares & Depositary Receipts

Client type	Class of Instrument		Period start	Period end	Notification if <1 average trade per business day in the previous year
Professional	Equities – Shares & Depositary Receipts Tick Size Liquidity Bands 3 and 4		01/01/2018	31/12/2018	N
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Liquidnet	22.61%	18.02%	51.21%	19.48%	0.00%
JP Morgan	5.88%	8.53%	52.34%	36.85%	0.00%
Deutsche Bank	4.82%	6.92%	71.52%	17.53%	0.00%
Jefferies International	6.07%	0.11%	50.24%	41.58%	0.00%
UBS International	5.00%	2.45%	62.33%	24.93%	0.00%

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The remaining factors are generally given equal ranking.

For less developed markets or less liquid equities, the likelihood of execution increases in importance as a factor, particularly when the size of order is material versus average daily volume.

## EQUITIES – Shares & Depositary Receipts

Client type	Class of Instrument		Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Equities – Shares &amp; Depositary Receipts Tick Size Liquidity Bands 5 and 6</b>		01/01/2018	31/12/2018	N
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
UBS International	12.66%	12.49%	76.20%	13.15%	0.00%
JP Morgan	9.24%	5.42%	66.86%	24.60%	0.00%
Deutsche Bank	7.82%	13.06%	82.00%	13.47%	0.00%
Liquidnet	6.03%	0.60%	48.06%	17.94%	0.00%
Sanford C. Bernstein	5.49%	3.84%	50.10%	18.96%	0.00%

### Execution factors

For developed market / liquid equities, unless otherwise stated, the ranking of the best execution factors for equities is typically:

1. Price
2. Cost of execution
3. Speed and likelihood of execution

The remaining factors are generally given equal ranking.

For less developed markets or less liquid equities, the likelihood of execution increases in importance as a factor, particularly when the size of order is material versus average daily volume.

## Obtaining Best Execution

When executing an equity order the trader first considers any specific instructions from the fund manager (such as price limits) and then sets about obtaining best execution. For equity orders gross consideration (price plus implicit and explicit costs) shall be the overriding driver of best execution.

The trader considers the size of the order relative to average daily volume in order to assess under normal market circumstances approximately how long the order will take to complete as well as the natural liquidity of the stock. Traders will consider and review factors such as the size of the order relative to liquidity and bid/offer spread to decide whether it would be better to deal via cheaper electronic means.

Brokers indications of interest are monitored to assess if there is an increased likelihood and speed of execution at a given broker and whether this improves the price achieved (i.e.) by mitigating the bid/offer spread.

Other factors to be considered include whether the order is subject to commissions associated with dealing, their impact on the “net price” received and the best way to minimize information leakage.

## Choice of venue

We have a wide range of approved venues and entities through which we can trade, including:

- Brokers who may transact on Regulated Markets, or through their own Multi-Lateral Trading Facilities (‘MTFs’) or as Systematic Internalisers (‘SIs’);
- Algorithmic trading
- Organised Trading Facilities (‘OTFs’).
- Independent MTFs.

Traders assess the potential venues in order to consider how best the order can be progressed given the specific characteristics of the order.

## CONTRACTS for DIFFERENCE

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Contracts for Difference</b>		01/01/2018	31/12/2018	N
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Deutsche Bank Securities Inc.	42.13%	27.46%	N/A	N/A	0.00%
UBS International	35.84%	22.56%	N/A	N/A	0.00%
Liquidnet	6.27%	12.46%	N/A	N/A	0.00%
Merrill Lynch Intl.	5.32%	5.93%	N/A	N/A	0.00%
JP Morgan	2.74%	12.62%	N/A	N/A	0.00%

### Execution factors

For developed market / liquid equities, unless otherwise stated, the ranking of the best execution factors for equities is typically:

1. Price
2. Cost of execution
3. Speed and likelihood of execution

The remaining factors are generally given equal ranking.

For less developed markets or less liquid equities, the likelihood of execution increases in importance as a factor, particularly when the size of order is material versus average daily volume.

## Obtaining Best Execution

When executing a CFD (same as an equity order in terms of BestEx) the trader first considers any specific instructions from the fund manager (such as price limits) and then sets about obtaining best execution. For equity orders gross consideration (price plus implicit and explicit costs) shall be the overriding driver of best execution,

The trader considers the size of the order relative to average daily volume in order to assess under normal market circumstances approximately how long the order will take to complete as well as the natural liquidity of the stock. Traders will consider and review factors such as the size of the order relative to liquidity and bid/offer spread to decide whether it would be better to deal via cheaper electronic means.

Brokers indications of interest are monitored to assess if there is an increased likelihood and speed of execution at a given broker and whether this improves the price achieved (i.e.) by mitigating the bid/offer spread.

Other factors to be considered include whether the order is subject to commissions associated with dealing, their impact on the “net price” received and the best way to minimize information leakage.

## Choice of venue

We have a wide range of approved venues and entities through which we can trade, including:

- Brokers who may transact on Regulated Markets, or through their own Multi-Lateral Trading Facilities (‘MTFs’) or as Systematic Internalisers (‘SIs’);
- Independent MTFs.

Traders assess the potential venues in order to consider how best the order can be progressed given the specific characteristics of the order.



## DEBT INSTRUMENT – BONDS

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Debt Instruments, Bonds</b>		01/01/2018	31/12/2018	N
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP Morgan	17.48%	17.62%	N/A	N/A	0.00%
Citi Group Global Markets	13.70%	15.41%	N/A	N/A	0.00%
Barclays	12.66%	16.21%	N/A	N/A	0.00%
Morgan Stanley Dean Witter	11.18%	6.81%	N/A	N/A	0.00%
Deutsche Bank	7.48%	6.47%	N/A	N/A	0.00%

### Execution factors (*Convertible Bonds*)

Unless otherwise stated, the ranking of the best execution factors for convertible bonds is typically:

1. Price
2. Order size
3. Speed

The remaining factors are generally given equal ranking. On some occasions we believe a broker's ability to deal at size would be of greater importance than price.

### Obtaining best execution (*Convertible Bonds*)

Quotes are generally obtained from multiple counterparties as part of the price discovery process. This may not always be possible or desirable to do so, for example in certain less liquid markets, where attempting to obtain multiple quotes could have a negative impact on obtaining best execution.

For certain transactions, there may potentially only be one counterparty and therefore obtaining multiple quotes is not possible. We consider whether multiple quotes can or should be obtained depending on the security to be traded, the size of the transaction and the prevailing market conditions.

Where quotes are requested from brokers, the speed of response is considered to be an important factor, particularly for volatile securities and/or markets. If one quote is not forthcoming, the best of the other two will be selected rather than wait and risk the price moving or having to provide the responding brokers with the opportunity to revise their quote.

Brokers who are consistently unable to provide competitive quotes will be removed from the panel until a discussion can be held with them to identify their commitment going forward. Brokers who advertise indications of interest yet fail to quote or consistently provide late quotes will also be removed.

## DEBT INSTRUMENTS – GOVERNMENT BONDS

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### **Execution factors** (*Government Bonds*)

Unless otherwise stated, the ranking of the best execution factors for bonds is usually:

1. Price
2. Order size / liquidity

The remaining factors are generally given equal ranking.

### **Obtaining Best execution** (*Government Bonds*)

We have the option of trading fixed income securities through either the primary or secondary markets. In the primary market governments hold auctions on a periodic basis. We also have the option of trading in the secondary market and will do so when selling fixed income securities as the primary market is not accessible and will also use it on occasion when buying.

When dealing through a broker the dealers will request quotes from their selected panel of brokers. These quotes will be compared to any relevant exchange pricing, broker axes and recent auction results in order to ascertain whether they constitute best execution. If the dealer is satisfied that best execution will be achieved, then they will deal on the best priced quote. In certain government bond markets sourcing liquidity may in itself constitute best execution.

## DEBT INSTRUMENTS – MONEY MARKET INSTRUMENTS

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Debt Instruments, Money Market Instruments</b>		01/01/2018	31/12/2018	Y
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Banco Santander Central	100.00%	100.00%	N/A	N/A	0.00%

### Execution factors

Unless otherwise stated, the ranking of the best execution factors for money markets is usually:

1. Price
2. Liquidity
3. Credit Worthiness

The remaining factors are generally given equal ranking.

## EQUITY DERIVATIVES

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Equity Derivatives</b>		01/01/2018	31/12/2018	N
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP Morgan	58.17%	13.60%	N/A	N/A	0.00%
Morgan Stanley Dean Witter	16.55%	28.25%	N/A	N/A	0.00%
Susquehanna Intl. Group	10.22%	4.78%	N/A	N/A	0.00%
UBS International	2.60%	23.42%	N/A	N/A	0.00%
HSBC International	2.14%	23.57%	N/A	N/A	0.00%

### Execution factors

Unless otherwise stated, the ranking of the best execution factors for Equity Derivatives is usually:

1. Price
2. Order size / liquidity
3. Speed of execution

The remaining factors are generally given equal ranking.

For other less liquid options traded OTC, unless otherwise stated the ranking of the best execution factors would be:

1. Price
2. Order size and speed (given equal importance)

The remaining factors are generally given equal ranking.

## Obtaining best execution

For liquid Equity Derivatives, quotes are generally obtained from potential counterparties as part of the price discovery process. This may not always be possible or desirable to do so. For example where the speed of the execution is key, attempting to obtain multiple quotes could have a negative impact on obtaining best execution.

For less liquid Equity Derivatives where we trade in an OTC manner, multiple brokers from a panel are approached to provide quotes within a suggested timeframe. Options are priced by the investment team prior to sourcing liquidity, meaning an expected price is already known.

Quotes received are assessed against each other and against our own indicative calculations, and the provider of the best price is chosen. Records of all quotes are retained to evidence best execution.

## Choice of venue

When trading liquid Equity Derivatives the relevant exchange will be chosen by the broker we choose to employ to execute the trade.

For less liquid Equity Derivatives where we trade in an OTC manner each broker's performance, whether successful or not, is recorded and tracked to enable ongoing monitoring. This data is discussed with brokers and used to manage the approved panel, (i.e.) brokers who are consistently uncompetitive will be removed.

## EXCHANGE TRADED PRODUCTS

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Exchange Traded Products (Exchange Traded - Funds, Notes &amp; Commodities)</b>		01/01/2018	31/12/2018	Y
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Credit Suisse First Boston	54.22%	41.67%	0%	22.8%	0.00%
Liquidnet	23.62%	16.67%	0%	0%	0.00%
Merrill Lynch International	15.15%	12.50%	90.9%	0%	0.00%
UBS International	2.97%	8.33%	81.5%	0%	0.00%
JP Morgan	2.25%	8.33%	0%	0%	0.00%

### Execution factors

Unless otherwise stated, the ranking of the best execution factors for Exchange Traded Funds (ETF) is typically:

1. Price
2. Cost of execution
3. Speed and likelihood of execution

The remaining factors are generally given equal ranking.

For less developed markets or less liquid equities the likelihood of execution increases in importance as a factor, particularly when the size of order is material versus average daily volume.

## Obtaining Best Execution

When executing an ETF order the trader first considers any specific instructions from the fund manager (such as price limits) and then sets about obtaining best execution. For ETF orders gross consideration (price plus implicit and explicit costs) shall be the overriding driver of best execution.

The trader considers the size of the order relative to average daily volume in order to assess under normal market circumstances approximately how long the order will take to complete as well as the natural liquidity of the asset. Traders will consider and review factors such as the size of the order relative to liquidity and bid/offer spread to decide whether it would be better to deal via cheaper electronic means.

Brokers indications of interest are monitored to assess if there is an increased likelihood and speed of execution at a given broker and whether this improves the price achieved (i.e.) by mitigating the bid/offer spread.

Other factors to be considered include whether the order is subject to commissions associated with dealing, their impact on the “net price” received and the best way to minimize information leakage.

## Choice of venue

We have a wide range of approved venues and entities through which we can trade, including:

- Brokers who may transact on Regulated Markets, or through their own Multi-Lateral Trading Facilities (‘MTFs’) or as Systematic Internalisers (‘SIs’);
- Independent MTFs.

Traders assess the potential venues in order to consider how best the order can be progressed given the specific characteristics of the order.

## CREDIT DERIVATIVES

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Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
Professional	<b>Credit Derivatives</b>		01/01/2018	31/12/2018	Y
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP Morgan	100.00%	100.00%	N/A	N/A	0.00%

### Execution factors

Unless otherwise stated, the ranking of the best execution factors for Credit Derivatives is usually:

1. Price
2. Order size / liquidity
3. Speed of execution

### Obtaining best execution

For Credit Derivatives, quotes are generally obtained from potential counterparties as part of the price discovery process. This may not always be possible or desirable to do so. For example where the speed of the execution is key, attempting to obtain multiple quotes could have a negative impact on obtaining best execution.

### Choice of venue

Where trading Credit Derivatives, the relevant exchange will be chosen by the broker we choose to employ to execute the trade.



## COMMODITY DERIVATIVES

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Commodity Derivatives</b>		01/01/2018	31/12/2018	Y
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley Dean Witter	89.59%	90.00%	N/A	N/A	0.00%
UBS International	10.41%	10.00%	N/A	N/A	0.00%

### Execution Factors

Unless otherwise stated, the ranking of the best execution factors for Commodity Derivatives is usually:

1. Price
2. Order size / liquidity
3. Speed of execution

### Obtaining best execution

For Commodity Derivatives quotes are generally obtained from potential counterparties as part of the price discovery process. This may not always be possible or desirable to do so. For example where the speed of the execution is key, attempting to obtain multiple quotes could have a negative impact on obtaining best execution.

### Choice of venue

Where trading Commodity Derivatives, the relevant exchange will be chosen by the broker we choose to employ to execute the trade.

## FOREIGN EXCHANGE

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Foreign Exchange Contracts</b>		01/01/2018	31/12/2018	N
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Brown Brothers Harriman	62.61%	64.83%	N/A	N/A	0.00%
Morgan Stanley Dean Witter	13.76%	4.53%	N/A	N/A	0.00%
State Street Bank	7.67%	0.25%	N/A	N/A	0.00%
JP Morgan Chase	7.15%	4.12%	N/A	N/A	0.00%
UBS PB	2.80%	2.23%	N/A	N/A	0.00%

### Execution Factors

Unless otherwise stated, the ranking of the best execution factors for foreign exchange is usually:

1. Price and timeliness of settlement (given equal importance)
2. Size and nature of the order
3. Liquidity

The remaining factors are generally given equal ranking.

### Obtaining best execution

Although price is listed as the primary execution factor, when dealing FX we believe that timeliness of settlement is also of significant importance given the operational risks that would be caused by settlement failure and the resultant costs (both monetary and reputational). For this reason, we do not execute 'across the street' in competition. Instead we rely on a small number of counterparties where an ongoing relationship has been developed. We believe this approach delivers the best outcomes for clients as we have a greater influence with such counterparties.

We utilise a number of tools and reference points to ensure the prices quoted are competitive. These include 'onscreen' validation to live Bloomberg rates, 'benchmarking' to WM Reuters fix when appropriate, trading 'at market' (liquidity dependent) to avoid currency exposure and utilising our relationships with our peers and other providers to review possible poor fills. Given the strong relationships with our preferred counterparties, our ability to question and renegotiate quotes we perceive to be 'poor' is

strengthened. As the FX market develops algorithmic trading may be utilised in future to work very large orders. As the majority of FX deals are passive, i.e. done to cover underlying instruments, rather than for investment purposes, we seek to deal immediately at market to avoid currency exposure.

Some markets in which we operate are restricted currency markets whereby local requirements require that any FX trade is undertaken by a local party (usually the client's sub-custodian). Although we are not party to the trade in such instances, the rates received are monitored on a post-trade basis.

## Choice of venue

The majority of FX trading is done via Multi-Lateral Trading Facility which provides access to liquidity and other benefits such as netting, tolerance checks and rate allocation per order.

## COLLECTIVE INVESTMENTS

Client type	Interaction	Class of Instrument	Period start	Period end	Notification if <1 average trade per business day in the previous year
<b>Professional</b>	<b>Collective Investment Schemes</b>		01/01/2018	31/12/2018	Y
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class in USD	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Brown Brothers Harriman	100.00%	100.00%	N/A	N/A	0.00%

### Execution Factors

When we deal in collective investment schemes (CISs) or structured products, we will usually deal directly with the product provider at prices and costs set by them.

## Important Information

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