

# ANNUAL ORDER EXECUTION (RTS 28) DISCLOSURE

BEST EXECUTION

June 2020

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Section 11 of the Conduct of Business Sourcebook (COBS 11) in the FCA's Handbook sets out various requirements for firms when they undertake investment transactions on behalf of its clients. These rules include requiring firms to take all sufficient steps to ensure that the best possible results are achieved for its clients on a consistent basis; this is known as "**Best Execution**".

The Best Execution rules require firms to have robust processes in place to ensure they are meeting the requirements, including the following key elements:

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1. When placing investment transactions, consider all factors relating to the trade with the aim of achieving the best possible result. The relevant factors may include:
    - a. characteristics of the client/objectives, investment policy and risks of the fund;
    - b. characteristics of the financial instrument;
    - c. execution venues to which the order can be directed;
    - d. characteristics of the order; and
    - e. execution factors such as price, costs, speed, likelihood of execution and settlement and nature of order;
  2. Undertake suitable and appropriate monitoring to ensure the firms processes are resulting in the best possible results being achieved on a consistent and that any deficiencies are being identified;
  3. Where the firms monitoring identifies poor outcomes, any deficiencies in the firms processes are addressed and their processes reviewed and updated to improve client outcomes;
  4. Regularly review their processes, including the execution venues being utilised, to ensure these remain fit for purposes and improvements are made when required, including making use of new venues;
  5. Implement and provide to clients an Order Execution Policy which details the firms processes including, for each type of financial instrument:
    - a. what execution factors the firm considers and how it determines the relative importance of these;
    - b. information on the execution venues used and the factors affecting choice of execution venue;
    - c. other sufficient information for a client to be able to adequately understand the firms execution process and how orders will be executed; and
  6. Publish an annual report ("**RTS 28 Disclosure**") outlining, for each class of financial instrument, the top five execution venues used in terms of trading volume in the preceding year and information as to the quality of execution obtained.
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## RTS 28 Disclosure

As stated above, we (Marlborough Fund Managers, "Marlborough") are required to publish the RTS 28 Disclosure in order to make information available in relation to the venues which we have used for the execution of orders and on the analysis undertaken and the conclusions we have drawn from the monitoring of the quality of execution obtained from these venues. The information set out in the Appendix below forms the information required to be disclosed.

In line with the requirements, the information within this disclosure is aggregated across all clients of Marlborough, which for the calendar year of 2019 were:

- Marlborough Bond Income Fund;
- Marlborough Global Bond Fund;
- Marlborough Emerging Markets Trust; and
- Marlborough Far East Growth Fund.

Although these funds cater to retail clients, for the purposes of this disclosure, all are treated as being professional clients, therefore, some of the RTS 28 Disclosure requirements will not be applicable, and so these sections are omitted.

Marlborough offer a range of collective investment schemes ("**funds**") for investors, however, with the exception of those noted above, the management of these funds is outsourced to other regulated firms. As required under the rules, information to be made available via RTS 28 Disclosures for these other funds will be included within the disclosures of the firms to which the investment management has been delegated. Should investors wish to obtain a copy of these firms RTS 28 Disclosures, these are available from the website of the relevant Investment Manager. Details of the relevant Investment Manager for each fund is available in the fund's Prospectus, copies of which are available from [www.marlboroughfunds.com](http://www.marlboroughfunds.com) or [www.ifslfunds.com](http://www.ifslfunds.com).

## Appendix

### RTS 28 Disclosure

1st January 2019 - 31st December 2019

#### Financial Instrument - Equities - Shares and Depository Receipts

Class of Instrument	Equities and Depository Receipts - Liquidity banding Tick Size Band 1 and 2				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution Venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders
DBS LEI:21380011TCD1B8OL2898	31.2%	26.1%	32.28%	0.00%	100%
Daiwa LEI:MIM2K09LFYD4IB163W58	28.5%	24.6%	28.78%	0.00%	100%
CLSA LEI:213800VZMAGVIU2IJA72	23.6%	30.4%	22.45%	0.00%	100%
Maybank LEI:213800F80W4UN1J01P51	14.61%	10.14%	15.13%	0.00%	100%
Winterflood LEI: 8BRUP6V1DX3PIG2R0745	2.26%	8.70%	1.36%	100.00%	100%

Class of Instrument	Equities and Depository Receipts - Liquidity banding Tick Size Band 3 and 4				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution Venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders
CLSA LEI:213800VZMAGVIU2IJA72	0.0%	0.0%	0.00%	0.00%	0%
Daiwa LEI:MIM2K09LFYD4IB163W58	0.0%	0.0%	0.00%	0.00%	0%
DBS LEI:21380011TCD1B8OL2898	0.0%	0.0%	0.00%	0.00%	0%
Sinopac LEI:2549005YJM8ENGWSJR83	0.00%	0.00%	0.00%	0.00%	0%
Maybank LEI:213800F80W4UN1J01P51	0.00%	0.00%	0.00%	0.00%	0%

Class of Instrument		Equities and Depository Receipts - Liquidity banding Tick Size Band 5 and 6				
Notification if <1 average trade per business day in the previous year		Yes				
Top five execution Venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders	
CLSA LEI:213800VZMAGVIU2IJA72	15.9%	24.2%	27.02%	0.00%	100%	
Daiwa LEI:MIM2K09LFYD4IB163W58	16.5%	27.3%	2.82%	0.00%	100%	
DBS LEI:21380011TCD1B8OL2898	31.9%	33.3%	68.81%	0.00%	100%	
Sinopac LEI:2549005YJM8ENGWSJR83	0.00%	0.00%	0.00%	0.00%	100%	
Maybank LEI:213800F80W4UN1J01P51	35.67%	15.15%	1.35%	0.00%	100%	

Class of Instrument		Equities and Depository Receipts - Liquidity banding Other Instruments				
Notification if <1 average trade per business day in the previous year		Yes				
Top five execution Venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders	
CLSA LEI:213800VZMAGVIU2IJA72	33.4%	16.4%	35.96%	0.00%	100%	
Daiwa LEI:MIM2K09LFYD4IB163W58	3.1%	20.0%	3.38%	0.00%	100%	
DBS LEI:21380011TCD1B8OL2898	13.2%	7.3%	10.98%	42.48%	100%	
Sinopac LEI:2549005YJM8ENGWSJR83	14.34%	34.55%	15.44%	0.00%	100%	
Maybank LEI:213800F80W4UN1J01P51	35.91%	21.82%	34.24%	57.52%	100%	

Explanation of the relative importance given to execution factors and any other consideration including qualitative factors used when assessing the quality of execution:

In seeking to achieve the best possible results, we considered a number of execution factors, which varied in importance according to the nature of each trade and the conditions prevailing in the market at the time of execution.

These included, but were not limited to:

- Liquidity and price characteristics of financial instrument being dealt;
- Nature, order size, commission rates and other cost factors;
- The need to minimise potential market impact;
- The fund's investment objective and policy and restrictions both internally and regulatory;
- Speed of delivery and consistency of successful delivery;
- The dealing counterparty's rating from our internal reviews; and
- Likelihood of execution and settlement.

Additionally, not every counterparty is able to execute across each country involved in a specific trade, or hold a seat on the local exchange, which can offer a better trading outcome, so these and other factors may from time to time be considered more important than price when trading.

We only use counterparties whose credit worthiness, Order Execution Policy and Terms & Conditions have been scrutinised and approved by our Investment Committee. This assessment and other monitoring is carried out on a continual basis to ensure counterparties are providing suitable quality of execution with changes made to the list of approved counterparties when so required.

**Explanation of the use made of any data or tools relating to the quality of execution including quarterly reports published by execution venues (RTS 27 reports):**

We analyse every trade to ensure that we have achieved the best possible execution, given the constraints of markets and order characteristics prevailing at the time. This includes assessing all executed trades against the Volume Weighted Average Prices (VWAP) to monitor the quality of execution from each counterparty on a trade-by trade basis, with full granularity by order direction and country. This information is then used as part of the decision-making process on where best to place trades to achieve the most appropriate and favourable execution. At period-end reviews, we also monitor deviation from VWAP to assess how much value counterparties routinely add to our trades by the quality of their dealing and use this as part of our negotiation process when setting commission rates for the coming period. These period reviews also include qualitative feedback from our Settlement Team in relation to any post-trade issues which may have occurred.

Our Compliance Team carry out regular monitoring of the investment management team and the delivery of best execution. These reviews include ensuring that we have executed trades in line with our Order Execution Policy and are maintaining suitable records in relation to other elements of the processes, such as broker approvals and reviews and monitoring to ensure best execution is being achieved. Any recommendations made during these reviews are reported to senior management and monitored until resolved.

Mifid II has introduced RTS27 and RTS 28 reports, which aim to improve the ability to monitor trading counterparties. However, RTS27 reports are not available for the Overseas Equity Trading of our counterparties, because third countries are not covered by EU legislation. Consequently, these are not utilised as a basis for review.

**Explanation of the use made of transaction data outputs from consolidated tape providers (RTS 13 reporting), or any other algorithms, to allow for the development of enhanced measures of execution quality and assessment of execution performance:**

Our principal consolidate tape provider is Bloomberg, which is utilised to monitor prices, determine the quality of execution, analyse security and market movements and consolidate regulatory reporting.

**Explanation of the factors that led to a change in the list of execution venues listed in our Order Execution Policy:**

There have been no changes to the list of execution venues in 2019.

**Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received:**

Following the introduction of Mifid II regulations in 2018, all commission paid to brokers is paid for the provision of execution services only. Where we wish to acquire research from firms, these services are paid for via a separate charge to our own assets.

**Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders:**

There are no conflicts of interest, common ownerships or close links with respect to any of the execution venues used. Should such instance occur in future, we have a Conflict of Interest Policy in place which is designed to ensure any potential conflict is prevented or appropriately managed.

## Financial Instrument - Debt Instruments

Class of Instrument	Bonds				
Notification if <1 average trade per business day in the previous year	No				
Top five execution Venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders
NCLCM LEI: 213800ARTVZQSADRZ559	57.2%	52.5%	N/a	N/a	0.0%
Morgan Stanley LEI: 4PQUHN3JPFGFNF3BB653	18.2%	14.9%	N/a	N/a	0.0%
Shore Capital Ltd. LEI: 2138009KZO3MK7TV6372	9.3%	6.9%	N/a	N/a	0.0%
Guy Butler LEI: 213800AG2H8MB5FGJ538	7.2%	6.5%	N/a	N/a	0.0%
Credit Suisse LEI: 549300GUAMON5OX20O54	3.5%	3.5%	N/a	N/a	0.0%

Explanation of the relative importance given to execution factors and any other consideration including qualitative factors used when assessing the quality of execution:

To achieve the best possible result(s) for the funds, we considered the following execution factors:

- Liquidity and price characteristics of financial instrument to be dealt
- Nature, order size, commission rates and other cost factors
- The need to minimise potential market impact
- The fund's investment objective and policy and restrictions both internally and regulatory
- Speed of delivery and consistency of successful delivery
- Dealing counterparty rating from our internal reviews
- Likelihood of execution and settlement
- Any other consideration relevant to the execution of an order

The relative importance of such factors was determined by reference to the following criteria:

- a) The objectives, policies and risks specific to the Fund as set out in the relevant scheme prospectus;
- b) The characteristics of the order;
- c) The characteristics of the financial instruments that are the subject of the order; and
- d) The characteristics of the execution venues to which that order can be directed.

For the most liquid instruments, net price was often the highest-ranking factor when evaluating brokers to sell with and gross price often the most important when buying. This was considered alongside the broker's rating, from internal reviews, and the fund's investment objective and policy/ investment restrictions. Following this, the size of order and likelihood of execution and settlement were then ranked equally as the next highest considerations. These factors were considered with the key goal of approaching the most suitable broker(s) for the characteristics of the financial instrument being dealt. For less liquid instruments, price remained the highest-ranking factor whilst the likelihood of settlement and speed of delivery were given higher consideration.

**Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders:**

There are no conflicts of interest, common ownerships, or close links with respect to any of the execution venues used. Should such instance occur in future, we have a Conflict of Interest Policy in place which is designed to ensure any potential conflict is prevented or appropriately managed.

**Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received:**

During the period under review all deals were carried out on a net basis i.e. no explicit commission was charged but the price for the trade would have normally included a spread applied by the broker. There are no specific arrangements with any execution venues regarding payments made or received. Winterflood Securities Ltd are the exception, who charge a fixed £30 amount per trade, however, no trades were placed with them for the 2019 year.

**Explanation of the factors that led to a change in the list of execution venues listed in our Order Execution Policy:**

The following counterparties were added in the 2019 year: Morgan Stanley, Credit Suisse, NatWest Markets. These were added to give wider coverage of the bond markets.

**Explanation of the use made of any data or tools relating to the quality of execution including quarterly reports published by execution venues (RTS 27 reports):**

An annual broker review was performed which included qualitative data in the form of feedback from our settlement team. Quantitative data was also used in the form of analysis of the prices achieved by brokers versus slippage and other prices available in the market, at the time of dealing. With the agency brokers that we trade with, RTS 27 reports were not applicable. Where RTS27 reports were available they were assessed to ascertain if any value could be added to our reviews.

Our Compliance Team carry out regular monitoring of the Investment Management Teams and the delivery of best execution. These reviews include ensuring that we have executed trades in line with our Order Execution Policy and are maintaining suitable records in relation to other elements of the processes, such as execution venue approvals and reviews and monitoring to ensure best execution is being achieved. Any recommendations made during these reviews are reported to senior management and monitored until resolved.

**Explanation of the use made of transaction data outputs from consolidated tape providers (RTS 13 reporting) to allow for the development of enhanced measures of execution quality and assessment of execution performance:**

Our principal consolidate tape provider is Bloomberg, which is utilised to monitor prices, determine the quality of execution, analyse security, and market movements and consolidate regulatory reporting.

**Any other relevant information in relation to the execution of orders:**

N/A

## Financial Instrument - Exchange Traded Products

Class of Instrument	Exchange Traded Products (Exchange traded funds, Exchange traded notes and Exchange traded commodities) Band 5 and 6				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution Venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders
Crossflow LEI:3912000ECOXD95PA2E12	76.0%	50.0%		100.00%	100%
Winterflood LEI: 8BRUP6Y1DX3PIG2R0745	13.5%	25.0%	56.47%		100%
Daiwa LEI:MIM2K09LFYD4IB163W58	10.4%	25.0%	43.53%		100%

**Explanation of the relative importance given to execution factors and any other consideration including qualitative factors used when assessing the quality of execution:**

In seeking to achieve the best possible results, we took into account a number of execution factors, which varied in importance according to the nature of each trade and the conditions prevailing in the market at the time of execution.

These included, but were not limited to:

- Liquidity and price characteristics of financial instrument to be dealt;
- Nature, order size, commission rates and other cost factors;
- The need to minimise potential market impact;
- The fund's investment objective and policy and restrictions both internally and regulatory;
- Speed of delivery and consistency of successful delivery;
- The execution venue's rating from our internal reviews; and
- Likelihood of execution and settlement.

We only use execution venues whose credit worthiness, Order Execution Policy and Terms and Conditions have been scrutinised and approved by our Investment Committee. This assessment and other monitoring is carried out on a continual basis to ensure execution venues are providing suitable quality of execution with changes made to the list of approved venues when so required.

**Explanation of the use made of any data or tools relating to the quality of execution including quarterly reports published by execution venues (RTS 27 reports):**

Trades which have been executed are assessed on a trade-by-trade basis against the average spread to ensure that prices obtained equate to acceptable market prices and as a means of monitoring the quality of execution and ensuring that the best possible results are being achieved on a consistent, ongoing basis. Each trade is analysed on the basis of price, spreads and explicit costs to ensure that each trade has achieved the best possible execution we could have obtained, given the constraints of markets, spreads and transaction costs prevailing at the time.

Additionally, an execution venue review is conducted on an annual basis. This includes quantitative execution data and qualitative data in relation to previous execution and to any post-trade issues which may have occurred.

Our Compliance Team carry out regular monitoring of the Investment Management Teams and the delivery of best execution. These reviews include ensuring that we have executed trades in line with our Order Execution Policy and are maintaining suitable records in relation to other elements of the processes, such as execution venue approvals and reviews and monitoring to ensure best execution is being achieved. Any recommendations made during these reviews are reported to senior management and monitored until resolved.

Reviews of counterparties consider a wide range of factors and if considered useful, these may incorporate RTS27 and RTS28 reports as well, wherever applicable to the nature of trades being undertaken. We monitor the quality and consistency of execution on an absolute daily basis and against benchmarks, competitor counterparties and the wider market.

**Explanation of the use made of transaction data outputs from consolidated tape providers (RTS 13 reporting), or any other algorithms, to allow for the development of enhanced measures of execution quality and assessment of execution performance:**

Our principal consolidated tape provider is Bloomberg, which is utilised to monitor prices, determine the quality of execution, analyse security and market movements and consolidate regulatory reporting.

**Explanation of the factors that led to a change in the list of execution venues listed in our Order Execution Policy:**

In 2019, we have broadened the venues through which we have conducted ETF trading from Crossflow, a specialist ETF broker, to include Daiwa and Winterflood on three individual trades where their specific expertise was considered preferable to that of Crossflow. Both venue are already approved by our Compliance, Risk and Governance teams and utilised for other trades.

**Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received:**

On all occasions when orders were given to execution venues for them to execute, a commission would have been charged by the venue for the services provided. These commissions were for execution services only and no investment research was provided as a result of these payments.

**Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders:**

There are no conflicts of interest, common ownerships or close links with respect to any of the execution venues used. Should such instance occur in future, we have a Conflict of Interest Policy in place which is designed to ensure any potential conflict is prevented or appropriately managed.

**Financial Instrument - Currency Derivatives**

<b>Class of Instrument</b>	<b>Currency Derivatives - Swaps, forwards and other currency derivatives</b>				
<b>Notification if &lt;1 average trade per business day in the previous year</b>	<b>Yes</b>				
<b>Top five execution Venues ranked in terms of trading volumes (descending order)</b>	<b>Proportion of volume traded as a % of total in that class</b>	<b>Proportion of orders executed as a % of total in that class</b>	<b>% of Passive orders</b>	<b>% of Aggressive orders</b>	<b>% of Directed orders</b>
<b>HSBC Bank PLC (MP6I5ZYZBEUXPYFY54)</b>	100.00%	100.00%	N/A	N/A	0%

**Explanation of the relative importance given to execution factors and any other consideration including qualitative factors used when assessing the quality of execution:**

As there was only one counterparty; the relative price compared to the market was the only consideration.

For FX products, rates from HSBC are recorded and quotes on both sides of the market are presented. This enables the spread to be observed, which is evaluated by the fund manager. There is no obligation to trade at current market price if the current rate/spread is unattractive.

**Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders:**

There were no conflicts of interest or common ownerships with respect to any of the execution venues.

**Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received:**

A separate agreement is in place with HSBC for research only access to their Global research platform. There was no obligation to place deals with them to access this research and the separation of this agreement ensures no conflict of interest.

**Explanation of the factors that led to a change in the list of execution venues listed in our Order Execution Policy:**

There were no changes to the list of execution venue over the 2019 year.

**Explanation of the use made of any data or tools relating to the quality of execution including quarterly reports published by execution venues (RTS 27 reports):**

The quality of execution can be assessed by comparing the rate traded at to the corresponding market rate at the time of transaction. Quality of settlement has also been assessed by liaising with the settlement department to ascertain any delays and rationale for failed settlements, if applicable.

**Explanation of the use made of transaction data outputs from consolidated tape providers (RTS 13 reporting) to allow for the development of enhanced measures of execution quality and assessment of execution performance:**

Our principal consolidated tape provider is Bloomberg, which is utilised to monitor prices, determine the quality of execution, analyse security and market movements and consolidate regulatory reporting.

**Any other relevant information in relation to the execution of orders:**

N/A