

## Quality of Execution 2019 Annual Report

**Report Date** 30<sup>th</sup> April 2020

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This report is provided in respect of Boussard & Gavaudan Investment Management LLP registered in England and Wales with registration number: OC388967 and regulated by the FCA with reference number: 612226, Boussard & Gavaudan Asset Management LP registered in England and Wales with registration number: LP008216 and regulated by the FCA with reference number: 216849, and Boussard & Gavaudan Gestion registered in France with RCS number: 443014584 and regulated by the AMF with authorisation number: GP03008, together Boussard & Gavaudan (“BG”).

The report provides qualitative and quantitative information summarising the quality of execution obtained on trades undertaken by BG in 2018, categorised by the sub-classes of instruments detailed below. BG has prepared this annual execution disclosure report in accordance with the FCA rules, as detailed in the FCA’s Handbook (COBS 11.2A) and industry guidance.

Data provided in the report is for all of the firm’s execution, including its activity as an AIFM and UCITS manager. Trade data used to compile the reports includes all trade flows and thus includes hedging trades performed as part of an options trade. Such hedging trades can have a significant impact on the Top 5 Venue report given their large notional value. This report does not include tables for instrument classes that BG has not traded during the relevant period. Where tick size information was not available for Equity instruments, these have been included under the Other Instruments category.

Quality of execution is monitored using a Trade Cost Analysis (“TCA”) tool to identify any outliers and trends. Both the trading team and the firm’s independent Compliance function monitor execution using TCA and perform sample tests to ensure the firm is taking all sufficient steps to ensure best execution is achieved for clients.

Where TCA data is not available, the firm checks the price achieved against competing quotes. BG’s front office and the independent compliance function review trades to ensure that where possible competing quotes have been obtained.

This report is available in alternative formats upon request. Any queries should be directed to: [BG.Compliance@bgam-fr.com](mailto:BG.Compliance@bgam-fr.com)

\*References to CSFB throughout this document are maintained for data consistency purposes but refer to Credit Suisse Securities Europe.

**Explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution.**

**Instrument Class:**

- Equities (all tick sizes)
- Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)
- Contracts for difference

Instrument Class	Equities - Shares & Depository Receipts				
Sub Class of Instrument	Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	67.01%	96.52%			
BOFA - MERILL LYNCH	13.52%	0.85%			
MORGAN STANLEY & CO INTL PLC	10.05%	1.16%			
RBC	9.05%	1.34%			
CITIGROUP GM LTD	0.37%	0.13%			

Instrument Class	Equities - Shares & Depository Receipts				
Sub Class of Instrument	Tick size liquidity band 3 and 4 (from 80 to 1999 trades per day)				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	78.48%	88.54%			
CITIGROUP GM LTD	6.17%	1.22%			
RBC	3.98%	0.85%			
DEUTSCHE BANK	2.72%	0.22%			
MORGAN STANLEY & CO INTL PLC	2.71%	1.14%			

Instrument Class	Equities - Shares & Depository Receipts				
Sub Class of Instrument	Tick size liquidity band 5 and 6 (from 2000 trades per day)				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	76.98%	87.44%			
LIQUIDNET	10.60%	9.68%			
JP MORGAN	2.21%	0.35%			
MORGAN STANLEY & CO INTL PLC	2.00%	0.23%			
SOCIETE GENERALE SA	1.73%	0.36%			

Instrument Class	Exchange traded products				
Sub Class of Instrument	Exchange traded products				
Notification if <1 average trade per business day in the previous year	Y				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	100.00%	100.00%			

Instrument Class	Contracts for difference				
Sub Class of Instrument	Contracts for difference				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	90.71%	98.82%			
LIQUIDNET	2.08%	0.82%			
SOCIETE GENERALE SA	1.95%	0.03%			
JP MORGAN	1.58%	0.09%			
BOFA - MERILL LYNCH	1.07%	0.04%			

The size of the order, price and cost are the main factors considered when executing Equities, Exchange Traded Products and CFDs.

The more illiquid an instrument, the more important other considerations such as the size of the order and market impact become. In exceptional circumstances likelihood and speed of execution may take priority.

The top 5 venue reports for Equities and CFDs show the most common venue used is Credit Suisse (CSFB) which provides BG with a Direct Market Access ("DMA") service, offering the firm low-cost electronic order submission and execution.

- Debt Instruments – Bonds

Instrument Class	Debt				
Sub Class of Instrument	Bonds				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
BRED	25.24%	13.52%			
NATIXIS SA	14.68%	9.06%			
JP MORGAN	12.36%	7.95%			
BNP	9.74%	11.14%			
BARCLAYS BANK PLC	5.57%	8.25%			

Size of order, price and cost are the most significant execution factors. Due to the illiquid nature of many debt instruments, special consideration must be given to market impact and information leakage.

Most debt instruments are traded Over the Counter ("OTC"). The trading team use their knowledge and experience of the market to send out a targeted number of Requests for Quote ("RFQ") to brokers in order to mitigate market impact prior to trading whilst obtaining the best possible price.

Both the trading desk and the independent compliance function review trades to ensure that where possible an adequate number of competing quotes have been obtained.

- **Debt Instruments – Money Market Instrument**

Instrument Class	Debt				
Sub Class of Instrument	Money markets instruments				
Notification if <1 average trade per business day in the previous year	Y				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	48.42%	3.01%			
JP MORGAN	22.26%	30.83%			
SOCIETE GENERALE SA	15.51%	25.56%			
CREDIT AGRICOLE CIB	8.63%	33.08%			
NOMURA INTL PLC	2.32%	3.01%			

Price and cost will normally be the most significant factors when trading money market instruments. However, in order to comply with diversification requirements and counterparty exposure limits, price and cost may not always be the sole consideration when executing trades.

- **Interest rates derivatives**

Instrument Class	Interest rates derivatives				
Sub Class of Instrument	Futures and options admitted to trading on a trading venue				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	94.59%	91.94%			
CITIGROUP GM LTD	2.97%	4.33%			
BNP	1.72%	2.59%			
CS EUROPE	0.63%	0.03%			
LOUIS CAPITAL MARKET	0.08%	0.28%			

Futures and options admitted to trading on a trading venue are traded through BG's DMA provider CS. These instruments are very liquid with price being the primary execution factor.

- **Credit Derivatives**

Instrument Class	Credit derivatives				
Sub Class of Instrument	Futures and options admitted to trading on a trading venue				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	97.44%	93.21%			
BNP	1.73%	3.99%			
CITIGROUP GM LTD	0.44%	2.35%			
JP MORGAN	0.28%	0.07%			
GOLDMAN SACHS INTL	0.08%	0.02%			

Instrument Class	Credit Derivatives				
Sub Class of Instrument	Other credit derivatives				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP MORGAN	24.04%	13.42%			
CITIGROUP GM LTD	16.63%	22.68%			
MORGAN STANLEY & CO INTL PLC	15.79%	7.67%			
BNP	12.99%	21.09%			
GOLDMAN SACHS INTL	10.06%	16.93%			

Price and liquidity are the main factors when executing trades on Options and Futures on Credit Derivatives admitted to trading on a trading venue. Before selecting a broker or venue the trading team search for natural flow in order to reduce the market impact of trades.

The more illiquid an instrument the more important other considerations such as the size of the order and market impact become. In certain circumstances likelihood and certainty of execution may take priority.

Other Credit Derivatives are traded OTC where the trading desk obtain multiple quotes and trade at the best price. For less liquid instruments, the trading desk use their knowledge and experience to only request quotes from a limited number of targeted brokers to limit any potential impact on the price of the instrument.

- **Currency Derivatives**

Instrument Class	Currency derivatives				
Sub Class of Instrument	Futures and options admitted to trading on a trading venue				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	99.99%	98.92%			
BNP	0.00%	0.73%			
CITIGROUP GM LTD	0.00%	0.35%			

Instrument Class	Currency derivatives				
Sub Class of Instrument	Swaps, forwards, and other currency derivatives				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
STATE STREET	49.16%	5.44%			
BNP	32.20%	13.01%			
STATE STREET	23.94%	11.71%			
BNP	21.52%	2.12%			
JP MORGAN	20.18%	22.95%			

When placing a currency derivative transaction, the trading desk will evaluate the quotes provided by counterparties and select the best price in terms of total consideration. Given the liquid nature of currency instruments price and cost are the most important execution factors considered.

- **Equity Derivatives**

Instrument Class	Equity Derivatives				
Sub Class of Instrument	Options and Futures admitted to trading on a trading venue				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	76.31%	92.09%			
HSBC	13.05%	0.44%			
SOCIETE GENERALE SA	7.05%	0.99%			
BOFA - MERILL LYNCH	1.29%	1.02%			
GOLDMAN SACHS INTL	0.83%	0.33%			

  

Instrument Class	Equity Derivatives				
Sub Class of Instrument	Swaps and other equity derivatives				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
NATIXIS SA	93.76%	2.63%			
CSFB	4.67%	2.07%			
BGAM	0.64%	0.25%			
UBS AG	0.22%	13.58%			
JP MORGAN	0.17%	22.22%			

Price and liquidity are the main factors when executing trades on Options and Futures admitted to Trading on a trading venue. Before selecting a broker or venue the trading team search for natural flow in order to reduce the market impact of trades.

The more illiquid an instrument, the more important other considerations such as the size of the order and market impact become. In certain circumstances likelihood and certainty of execution may take priority.

The table above for Options and Futures trading on a trading venue shows the most common venue is Credit Suisse Electronic Trading which provides BG with a DMA service, offering the firm low-cost electronic order submission and execution.

When trading Swaps and Other Equity Derivatives OTC, the price, cost and size of the order will generally be the most important factors. Depending on the liquidity and availability of the instrument market impact can become an important consideration. In exceptional circumstances the speed and likelihood of execution may become the primary concern.

- **Securitised Derivatives**

Instrument Class	Securitized derivatives				
Sub Class of Instrument	Warrants and Certificate Derivatives				
Notification if <1 average trade per business day in the previous year	Y				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
DEUTSCHE BANK	38.17%	26.09%			
JP MORGAN	36.49%	13.04%			
BNP	12.24%	13.04%			
GOLDMAN SACHS INTL	11.24%	13.04%			
SOCIETE GENERALE SA	1.85%	34.78%			

For Warrants and Certificate Derivatives the price, cost and size of the order will generally be the most important factors considered. Depending on the liquidity and availability of the instrument market impact can become an important consideration. In exceptional circumstances the likelihood and speed of execution become the primary concern.

- **Commodities Derivatives**

Instrument Class	Commodities derivatives				
Sub Class of Instrument	Options and futures admitted to trading on a trading venue				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	99.93%	99.84%			
JP MORGAN	0.07%	0.07%			
BNP	0.00%	0.09%			

Instrument Class	Commodities derivatives				
Sub Class of Instrument	Other commodities derivatives				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
BGC PARTNERS	96.69%	99.04%			
CSFB	3.31%	0.96%			

Price and liquidity are the main factors considered when executing trades on Commodity Derivatives. The more illiquid an instrument the more important other considerations such as the size of the order and market impact become. When instruments are illiquid likelihood and certainty of execution take priority.

- **Emission allowances**

Instrument Class	Emission allowances				
Sub Class of Instrument	Emission allowances				
Notification if <1 average trade per business day in the previous year	N				
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	100.00%	100.00%			

Emission allowances are traded through BG's DMA provider Credit Suisse. The instruments traded are generally very liquid with price and cost being the primary execution factors considered.

- Other instruments

Instrument Class	Other Instruments				
Sub Class of Instrument	Other Instruments				
Notification if <1 average trade per business day in the previous year			N		
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
BNP	41.64%	8.68%			
STATE STREET	37.05%	2.00%			
BNP	23.83%	0.72%			
STATE STREET	14.92%	8.19%			
NATIXIS SA	14.88%	22.34%			

The Other instruments category encompasses several different instrument types that do not correspond to any of the aforementioned instrument classes. Best execution on these instruments is generally determined by the size of the order, price and cost of execution. However, in exceptional circumstances, execution factors such as speed and likelihood of execution may take priority.

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

BG on behalf of its clients, in the course of its portfolio management activities, may invest in entities who are, or whose sub-entities include, execution venues. The potential conflict of interest is monitored by the firm's Compliance function but is not currently deemed a material risk.

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

BG does not receive payments, discounts, rebates or non-monetary benefits in relation to its trading arrangements.

**Explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred**

No changes.

**Explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements**

Client categorisation is not relevant in BG's context as it is a collective portfolio manager.

**Explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client**

BG does not execute retail client orders – all the firm's clients are Professional clients.

**Explanation of how the firm has used any data or tools relating to the quality of execution, including any data published by execution venues under RTS 27**

BG uses a Trade Cost Analysis tool (TCA) to compare execution to relevant benchmarks such as VWAP, Implementation Shortfall/Slippage, and Reversion. Where benchmark data is not available due to the nature of instruments, such as those traded OTC, multiple quotes are obtained to ensure all sufficient steps are taken to achieve best execution for clients. Where trades fall outside of set performance parameters they are investigated by the front office and the firm's Compliance department. BG is satisfied that exceptions are within normal limits and all sufficient steps to achieve best execution are being taken.

Available RTS27 data has been reviewed but its usage has been judged to be impractical as where it is available it is only provided in inefficient formats with inconsistent data.