



AJ Bell Asset Management Limited

RTS 28: Top Five Execution Venues & Quality of Execution Report

Mark Gillan
Head of Operations, AJ Bell Asset Management Limited

Introduction

AJ Bell Asset Management Limited (“**AJBAML**”) is an investment manager (formally a UCITS management company), whose mission statement is to manufacture simple, transparent and low-cost products. To that end, AJBAML offers a broad range of investment solutions including a range of passive funds (the “**Funds**”).

As part of the MiFID II regulations¹, AJBAML is required to publish, on an annual basis, details of the quality of execution and the main execution venues used for each class of financial instrument it trades.

This document provides the information described above in relation to the operations of the Funds, and should be read in conjunction with AJBAML’s overarching Best Execution Policy, which is available at the following address: <https://www.ajbell.co.uk/ajbell-investments/useful-info>

Top Five Execution Venues

AJBAML is required to publish the top five execution venues² in terms of trading volumes for all executed client orders, per class of relevant financial instruments. In some cases, AJBAML uses more than five execution venues; we have taken the decision to publish all of these rather than just the top five – the data is summarised in the table below and is available at the “useful info” link provided above.

Class of Instrument					Debt Instruments
Notification if < 1 average trade per business day in the previous year					Yes
Top 5 Venues ranked in terms of volume (descending order)	Proportion of volume executed as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
King & Shaxson Limited (213800ARTVZQ5ADRZ559)	59.05%	37.50%	0%	0%	0%
HSBC Bank PLC (MP6ISZY2BEU3UXPFY54)	11.95%	19.08%	0%	0%	0%
UBS AG London Branch (BFM8T61CT2L1QCCEMIK50)	11.68%	9.21%	0%	0%	0%
Internal Cross	7.55%	8.55%	0%	0%	0%
Lloyds Bank Corporate Markets PLC (213800MBWEJDM5CU638)	5.03%	11.84%	0%	0%	0%
RIA Capital Markets Limited (213800OZ0ZPQP43W/C292)	3.70%	10.53%	0%	0%	0%
Goldman Sachs International (W22LROWP21HZNBB6K528)	1.04%	3.29%	0%	0%	0%
Class of Instrument					Exchange Traded Products
Notification if < 1 average trade per business day in the previous year					No
Top 5 Venues ranked in terms of volume (descending order)	Proportion of volume executed as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Virtu ITG Europe Limited (213800EEC95PRUCEUP63)	76.12%	98.64%	0%	0%	0%
Flow Traders B.V. (549300CL19XDH12XV51)	12.91%	0.31%	0%	0%	0%
Jane Street Financial Limited (549300ZHEHX8M31RP142)	5.44%	0.17%	0%	0%	0%
Peel Hunt LLP (5493007DWNOR4YBMAC84)	3.94%	0.39%	0%	0%	0%
A J Bell Securities Limited (213800Y417TN34W/UBD71)	1.38%	0.08%	0%	0%	0%
Internal Cross	0.19%	0.39%	0%	0%	0%
HSBC Bank PLC (MP6ISZY2BEU3UXPFY54)	0.01%	0.03%	0%	0%	0%
Class of Instrument					Other Instruments
Notification if < 1 average trade per business day in the previous year					No
Top 5 Venues ranked in terms of volume (descending order)	Proportion of volume executed as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Legal & General	16.53%	8.62%	0%	0%	0%
Man UK	15.43%	9.14%	0%	0%	0%
Jupiter	15.42%	10.44%	0%	0%	0%
JP Morgan	15.26%	20.10%	0%	0%	0%
Legg Mason	11.41%	20.10%	0%	0%	0%
TwentyFour	10.91%	10.18%	0%	0%	0%
Baillie Gifford	10.51%	10.70%	0%	0%	0%
M&G	4.54%	10.70%	0%	0%	0%

Note that the percentage of passive and aggressive orders is shown here as zero; this is because AJBAML does not trade on a principal basis for direct execution. Rather, orders are placed on an agency basis with counterparties, and the nature of order execution is therefore at the discretion of these counterparties.

Quality of Execution Report

AJBAML is also required to publish³, for each class of financial instruments, a summary of the analysis and conclusions they draw from their detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year. This information should include various factors, which are discussed below:

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0065&from=EN>

² <https://www.handbook.fca.org.uk/handbook/COBS/11/Annex1EU.html> See Article 3.1

³ Ibid, see Article 3.3

I Relative Importance

In line with its Best Execution Policy, when striving to achieve the best result for a particular order, AJBAML will use its knowledge, experience and judgement, taking into consideration a range of different possible execution factors. All trading is undertaken with the overall strategy of achieving the underlying objectives of the Funds(s) on behalf of which the orders are being made.

Dependent upon the objectives, investment policy and risks specific to the scheme, as indicated in its prospectus or instrument constituting the Fund, the nature and liquidity of the relevant financial instrument and market, the characteristics of the particular order, the requirements of the underlying trading strategy, and the nature of the available execution venues for that order, different execution criteria may be deemed to be more important under different circumstances.

A range of possible execution factors may be considered, and these include (but are not limited to) the following:

- The price achieved when executing a client order
- Trading costs incurred when executing a client order
- The speed in executing an order
- The nature and size of the order
- The prevailing liquidity of the relevant instrument
- The likelihood of efficient settlement of the order

Typically, AJBAML would give the highest priority to price when executing orders; with the remaining execution factors given equal consideration.

II Conflicts of Interest

AJBAML has executed a small proportion of the trading in its Funds via AJ Bell Securities Limited (“AJBSL”), a broker which is part of the wider AJ Bell group of companies (both entities are wholly owned by AJ Bell PLC).

AJBSL and AJBAML operate completely independently, with Chinese walls in place to prevent conflicts of interest arising between the two entities in relation to trading within the Funds.

III Specific Arrangements

AJBAML has no specific arrangements in place with any of its execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

IV Changes in Execution Venues

In 2019, AJBAML made a number of changes to the list of execution venues listed in its Best Execution policy, which is reflected in the data listed in our top execution venues reporting. The factors underlying these changes were twofold:

- (i) Additions and removals of execution venues caused by adjustments in asset allocation during the year, to ensure that these adjustments were comprehensively covered by the most appropriate execution venues.
- (ii) Additions to AJBAML’s panel of approved counterparties, to diversify its list and increase access to allow a more sophisticated approach to drive superior execution for the Funds. In particular this included the opening of links with Authorised Participants such as Flow Traders B.V. and Jane Street Financial Limited, in respect to exchange-traded funds.

V Client Categorisation

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As an investment manager, AJBAML's clients are the Funds which it manages. Under the FCA Client Classification rules (COBS 3.5), the Funds have been classified as 'Professional Clients'⁴. As such there is no differentiation required for AJBAML's order execution approach on the basis of client categorisation.

VI Monitoring of Data

AJBAML's Best Execution Policy and order execution arrangements are overseen by a robust internal governance structure and are reviewed on at least an annual basis. A review and, if necessary, an update to the policy will also be undertaken should any material change occur that affects AJBAML's ability to obtain the best possible result for clients on a consistent basis using the current version of the policy.

Ongoing monitoring is undertaken to ensure the effectiveness of AJBAML's order execution arrangements, including the execution venues used, counterparties and our internal processes and procedures.

From April 2018, all of our execution venues are required to publish their own execution quality reporting. This information is used as part of our counterparty and execution venue due diligence and assessment process.

VII Consolidated Tape Provider

AJBAML does not use the output of a consolidated tape provider (as described under Article 65 of Directive 2014/65/EU)⁵.

Contacts

Mark Gillan, Head of Operations AJBAML: mark.gillan@ajbell.co.uk
AJ Bell Asset Management team: AJBellInvestments@ajbell.co.uk

⁴ <https://www.handbook.fca.org.uk/handbook/COBS/3/5.html>

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0065&from=EN>