



## Annual qualitative disclosure on the quality of execution obtained

Firm name: Alken Asset Management and Alken Finance LLP (“Alken”)

Disclosure Period: 01/01/2018 – 31/12/2018

### **Regulatory requirements**

This disclosure is being made pursuant to Article 3(3) of RTS 28 and/or Article 65(6) of the MiFID II Delegated Organisational Regulation<sup>1</sup>, which require firms to disclose, for each class of financial instruments traded for clients during the period, a summary of the analysis and conclusions drawn from the execution quality monitoring that the Firm has undertaken.

This disclosure covers the following classes of financial instruments that were traded during the period.

### **Strategy & execution factors**

Alken determines the strategy applying different execution factors depending on the situation: market trends, liquidity of the security at stake, volumes involved, portfolio manager’s instructions and other characteristics of the order. Furthermore, when deciding how and where to execute client orders, Alken takes into account a range of factors, including but not limited to the price, cost or commissions of execution; timing and speed of execution, liquidity of the current instrument or size and nature of the order. When determining the relative importance of the execution factors the Firm does so taking into account the type of client it is acting for, the objectives of the client, the characteristic of the order, the financial instruments involved as well as the execution venues to which the order can be directed and the market conditions.

### **Due diligence**

Alken places orders that are to be approved with approved counterparties. The list of approved counterparties is reviewed twice a year and rarely changes. Changes to our list of counterparties may vary depending on a number of factors: changes in the credit worthiness of the counterparty, changes in the execution performance of the counterparty or threat of regulatory burden impacting the counterparty.

### **Equal treatment of clients**

All Alken’s clients are treated equally and Alken does not accept any retail clients.

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<sup>1</sup> Delegated Regulation Supplementing Directive 2014/65/EU with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution (“Delegated Regulation”)

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## Governance

Alken has established a Best Execution and Broker Review Committee which meets on a semi-annual basis to assess whether the Firm's panel of execution venues and brokers continues to provide the best possible results for the Firm's clients. The Committee – comprised of the trading team, the operations team and the compliance team – approves all execution venues. Execution venues may only be added to the list with the consent of the Committee and they will consider factors including but not limited to credit and counterparty risk, level of service, markets covered during their due diligence process and ongoing review.

Overall and for the year of 2018 Alken can confirm that it considers it has met its obligation to achieve the best possible result for its clients on a consistent basis.

## Summary of the analysis and conclusions drawn from detailed monitoring

The Firm analysed the trades during the relevant period to determine whether any of the trades were greater than the bps slippage established for the chosen benchmark. The completed monitoring confirmed that we were comfortable with the best execution that was obtained on the approved execution venues throughout the year.

## Relative importance given to execution factors<sup>2</sup>

The Firm's delivery of best execution is a key element in its commitment to act in the best interests of its clients, as well as being a regulatory requirement. Alken prioritises ensuring that all sufficient steps are taken to obtain the best possible result for its clients when it executes, places or transmits orders on their behalf.

The relative importance of the execution factors is judged on an order-by-order basis in line with the Firm's industry experience and prevailing market conditions. When measuring the relative importance of the execution factors outlined above, the Firm must do so by taken into account the following elements:

- The client it is acting for (including its categorization)
- The characteristics of the order (including the order involves a Securities Financing transaction)
- The financial instruments involved
- The execution venues to which that order could be directed

In addition, and although execution strategies are used on a trade-by-trade basis, the ranking of the execution factors will often be determined by investment objectives for the strategy, the type of product to be traded, the rationale of the trade and other appropriate considerations.

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<sup>2</sup> Article 3(3)(b) Delegated Regulation

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Type of instrument	Explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution
<i>Equities</i>	<p><b>Small/ larger orders</b></p> <p>For small orders over a short period of time, key factors are generally the price, the quantity based on the market availability and the likelihood of execution.</p> <p>For larger orders executed across a period of time, the Firm also takes into account confidentiality, minimising the impact on the market and the slippage historically achieved on each venue.</p> <p>Where transactions are executed, relevant overall factors are: general costs (including broker fees), impact and observed slippage.</p> <p><b>Liquid/ illiquid markets</b></p> <p>Price is likely to be the most important execution factor for liquid equity markets whereas certainty of execution is likely to be more important for less liquid markets.</p>
<i>Fixed income</i>	<p><b>Small/ larger orders</b></p> <p>In effect, large orders are going to be harder to fill. The reason behind is that very large buy or sell orders placed directly on the market can be expected to move the price. If the price moves significantly against the trader hallway through filling an order, that would negatively impact execution. Therefore, the trader may want to minimise this market impact by masking the order in several way. Working up the size of a smaller trade, with a single counterparty, allows the trader the fill the order without revealing it to the market in its entirety. Further, trading on an anonymous platform with negotiated size can also help. Finally, if an opportunity arises to fill the whole order at once (e.g.: on a block trading platform), this may be prioritised over waiting to try and find a better price and running the risk of not filling the order.</p> <p><b>Liquid/ illiquid orders</b></p> <p>When dealing in illiquid markets, the highest priority for our fixed income trader will be the likelihood of execution over achieving a specific price. One should note that price discovery in illiquid markets is a very challenging task. One the contrary, if dealing in very liquid markets, the price might often be the factor being given the highest priority.</p>

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### Factors which may influence the order execution behaviour of investment firms<sup>3</sup>

<b>Description of any close links, conflicts of interests, common ownerships</b>	The top five brokers are all regulated firms. The Firm does not have any close links, conflicts of interests or common ownerships with respect to the execution venues it uses to execute orders.
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### Specific arrangements with any execution venues<sup>4</sup>

<b>Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebate or non-monetary benefits received</b>	<p>Alken has not entered into any arrangements with its execution venues regarding payments made or received, discounts or non-monetary benefits that would compromise its ability to meet its obligations in regard to best execution, conflicts of interest or inducements.</p> <p>The Firm pays for research from its Research Payment Account (“RPA”) and as such has arrangements in place to pay for the receipt of such research in accordance with MiFID II.</p> <p>When selecting execution venues for inclusion in the execution policy, the Firm does not take into account the fees and commissions that it will charge its clients but focuses on the potential of the venues to enable the Firm to obtain on a consistent basis the best possible result for the execution of its client orders.</p>
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### Factors that led to a change in the list of execution venues – if such a change occurred<sup>5</sup>

<b>Explanation of the factors that led to a change in the list of execution venues listed in the firm’s execution policy</b>	<p>Six brokers were added to the equities list in 2018. The reason for adding them was to enhance our access to liquidity following the implementation of MiFID II as well as to adapt to our evolving portfolio. We would only open a new trading relationship where we believe that this addition constitutes a necessary step towards achieving best execution. Furthermore, we added 44 new brokers for our new fixed income strategies.</p> <p>Note any request to use a broker outside the Firm’s approved broker list must be approved by Compliance and by the Firm’s head trader. Such requests are expected to be made very infrequently and must be supported by a clear rationale setting out why the proposed broker is likely to provide better execution than comparable brokers from the Firm’s approved broker panel.</p>
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<sup>3</sup> Article 3(3)(b) Delegated Regulation

<sup>4</sup> Article 3(3)(c) Delegated Regulation

<sup>5</sup> Article 3(3)(d) Delegated Regulation

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#### Explanation of how order execution differs according to client categorisation<sup>6</sup>

<b>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</b>	While Alken does take the characteristics of its clients into account when judging the relative importance of the execution factors, the Firm's clients are exclusively professional clients and so are treated with a consistent approach.
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#### Explanation of whether other criteria were given precedence over immediate price and cost<sup>7</sup>

<b>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</b>	The Firm does not execute retail client orders.
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#### Explanation of how the Firm has used any data or tools<sup>8</sup>

<b>Explanation of how the Firm has used any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575</b>	Alken use Bloomberg Transaction Cost Analysis (BTCA) to analyse relevant data and obtain best execution for a client, including execution quality data. The Firm transmits or places orders with other entities for execution and when the order relates to OTC products including bespoke products, checks the fairness of the price proposed to the client, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.
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<sup>6</sup> Article 3(3)(e) Delegated Regulation

<sup>7</sup> Article 3(3)(f) Delegated Regulation

<sup>8</sup> Article 3(3)(g) Delegated Regulation

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### Consolidated tape provider<sup>9</sup>

<b>Where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU</b>	This is not currently applicable.
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<sup>9</sup> Article 3(3)(h) Delegated Regulation

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