

MIFID II: RTS 28 Disclosure – The Execution Quality Report

Downing LLP

01 January 2020 to 31 December 2020

Downing LLP Legal Identifier Number - 213800G3X76VBG9SB504

1. Introduction

This report covers the activities of Downing LLP. This report is being prepared for the purposes of Regulatory Technical Standard 28 (RTS 28) supplementing Directive 2014/65/EU (MIFID II) and covers the period between 01 January 2020 and 31 December 2020, inclusive (the relevant period).

This report sets out information on: (i) the identity of the top five execution brokers of Downing LLP for the relevant period, (ii) the quality of execution achieved for clients and (iii) certain other matters which Downing LLP is required to report on pursuant to RTS 28.

Downing LLP trades as a Professional Client and in an institutional capacity on behalf of its clients (and does not deal as principal). Information relating to retail (discretionary managed portfolio services to retail clients) and professional activities (OEICs and Trust) is provided in this report.

Downing LLP does not execute order directly on markets but transmits order to brokers for execution.

Downing LLP has third party dealing relationships in place where the underlying broker data is not available. 64% of Downing LLP FUM are subject to these outsourced third-party dealing relationships. We have included the high-level data for these, whilst reporting on the 36% of our daily traded FUM.

2. Top 5 Execution brokers

The top 5 execution brokers are used by Downing LLP to trade as a Professional Client in an Institutional Capacity. The annual best execution tables have been produced for each classification of client.

Where an asset class has not been traded during the reporting period, no data or analysis is shown.

The relevant execution information for shares & depositary receipts has been split into tables 1, 2, 3 (Professional) and 4, 5 & 6 (Retail). These tables (1 - 6) have taken into consideration the shares & depositary receipts that are within ESMA's 'Equity ticksize – MIFID Transitional Transparency Calculations' (the List¹). Table 7 refers to the Professional trades that are directed via Instinet LLC in their entirety for two Downing funds, namely the VT Downing Global Investors Fund and the VT Downing European Unconstrained Income Fund due to their scope, connectivity to major sources liquidity over 60 markets and 150+ venues globally.

¹ https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_fitrs_equities

Professional Client Tables

Table 1: Shares & Depositary Receipts – Bands 1 & 2

Class of Instrument	Equities – Shares & Depositary Receipts - (Bands 1 & 2)				
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 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
FinnCap, London (JMCMGB21)	19.02%	17.68%	n/a	n/a	0%
213800DSWHX26RRA1N75					
Cenkos Securities Ltd, London	15.97%	11.89%	n/a	n/a	0%
213800ALVRC52VN3I821					
Liberum Capital Ltd	15.34%	12.80%	n/a	n/a	0%
213800U6KUF87S1KCC03					
Shore Capital Stockbrokers Limited	12.54%	7.62%	n/a	n/a	0%
2138009KZO3MK7TV6372					
N+1 Singer Capital Mkts	11.26%	11.59%	n/a	n/a	0%
213800ITO7QMNQ9SFG53					

Table 2: Shares & Depository Receipts – Bands 3 & 4

Class of Instrument	Equities – Shares & Depository Receipts (Bands 3 & 4)				
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 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
Liberum Capital Ltd	38.08%	17.03%	n/a	n/a	0%
213800U6KUF87S1KCC03					
Winterflood Securities Limited	9.89%	11.92%	n/a	n/a	0%
8BRUP6V1DX3PIG2R0745					
Canaccord Genuity Limited	8.27%	4.87%	n/a	n/a	0%
ZBU7V5NIMN4ILRFC23					
Cenkos Securities	5.79%	1.34%	n/a	n/a	0%
213800ALVRC52VN3I821					
Peel Hunt	5.08%	8.27%	n/a	n/a	0%
5493007DWN0R4YBM4C84					

Table 3: Shares & Depository Receipts – Bands 5 & 6

Class of Instrument	Equities – Shares & Depository Receipts (Bands 5 & 6)				
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 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
Liberum Capital Ltd	76.48%	32.89%	n/a	n/a	0%
213800U6KUF87S1KCC03					
Winterflood Securities Limited	8.14%	27.63%	n/a	n/a	0%
8BRUP6V1DX3PIG2R0745					
Numis Securities Limited, London	5.77%	23.68%	n/a	n/a	0%
213800P3F4RT97WDSX47					
Investec Asset Finance Plc	4.73%	1.32%	n/a	n/a	0%
84S0VF8TSMHOT6D4K848					
Berenberg	2.73%	2.63%	n/a	n/a	0%
529900UC2OD7II24Z667					

Retail Client Tables

Table 4: Shares & Depositary Receipts – Bands 1 & 2

Class of Instrument	Equities – Shares & Depositary Receipts - (Bands 1 & 2)				
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 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
Brooks MacDonald 213800A6KGK5GO17EZ17	82.35%	94.56%	n/a	n/a	0%
IBP Markets Limited (IBPMNO11XXX) 213800Y7WLJILTZZ5I67	17.65%	5.44%	n/a	n/a	0%

Table 5 Shares & Depositary Receipts – Bands 3 & 4

Class of Instrument	Equities – Shares & Depositary Receipts (Bands 3 & 4)				
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 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
Brooks MacDonald 213800A6KGK5GO17EZ17	83.25%	98.41%	n/a	n/a	0%
IBP Markets Limited (IBPMNO11XXX) 213800Y7WLJILTZZ5I67	16.75%	1.59%	n/a	n/a	0%

Table 6: Shares & Depositary Receipts – Bands 5 & 6

Class of Instrument	Equities – Shares & Depositary Receipts (Bands 5 & 6)				
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 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
Brooks MacDonald	100%	100%	n/a	n/a	0%
213800A6KGK5GO17EZ17					

Table 7: Shares & Depositary Receipts – All bands

Class of Instrument	Equities – Shares & Depositary Receipt*				
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 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
Instinet LLC	100.00%	100.00%	n/a	n/a	0%
549300MGMN3RKMU8FT57					
* This is in relation to the VT Downing Global Investors Fund and the VT Downing European Unconstrained Income Fund - all trades are directed via Instinet LLC					

3. Execution Quality Analysis and Conclusion for Shares & Depositary Receipts and other equity like instruments

This section of the report covers the following instrument classes for all categories of clients:

- Shares & Depositary Receipts
- Shares & Depositary Receipts not within ESMA’s ‘Equity ticksize – MIFID Transitional Transparency Calculations’

RTS 28, Article 3(3) Reference ²	Comments
3(a)	<p>Downing LLP is required to ensure for the Relevant Period that the best possible result is obtained on a consistent basis when transmitting orders to third parties for execution. What constitutes the best possible result however varies depending on the specific execution factors relevant for each trade.</p> <p>Although price and the likelihood of execution or settlement were given the most importance when executing transactions, other factors were also considered for example; liquidity and size, costs; speed, the nature of the order and any other relevant considerations such as clients’ specific instructions. For example, when transacting a large order, minimizing market impact might be more important than price. We may therefore conclude that factors other than price and likelihood of execution are more important in achieving the best possible result.</p> <p>During 2020, Downing LLP launched three new UCITs funds. One primarily focuses on UK equity stocks, whilst the other funds are Globally and European focused. In view of this, all trades for the Global and European funds are directed using a Broker, Instinet LLC, which enables more global liquidity and access to 60 markets. Instinet is an institutional agency only broker. It acts solely as an agent, which aims to lower overall trading costs.</p>
3(b), (c) & (d)	<p>Downing LLP had no close links with, or common ownership of or by, any execution venue or counterparty in the Relevant Period. There were no conflicts of interest with venue or counterparties which impacted on Downing LLP’s ability to deliver best execution to its clients. Conflicts are mitigated by adhering to the processes and controls detailed in the internal Conflicts of Interest Policy and the Order Execution Policy.</p> <p>If any Fund Manager has a cross holding with another Fund Manager, they will communicate their intentions to each other to ensure orders are amalgamated to minimise dealing costs and any conflicts.</p> <p>For the Relevant Period, Downing LLP was not engaged in commission sharing agreements (CSA) with any counterparties. Downing LLP has adopted processes that demonstrate careful consideration and control around</p>

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

	<p>execution and research costs. Downing LLP has undertaken to pay for research costs directly with specific Brokers who the Fund Managers have directly chosen for their research capabilities, type of research and attention to detail within their research.</p> <p>During 2020, Downing LLP added a few new brokers to the list of execution brokers after having conducted their due diligence on these parties.</p> <p>Instinet, a global equities execution agent has international market access to its Instinet Trading Portal, a global front end for block and active traders. It enables market depth for over 60 markets in 27 countries, including worldwide exchanges. As Instinet has access to hundreds of multi-asset liquidity venues, it is able to offer competitive trading costs and ultimately improve investment performance. It has a straight-through dealing process which improves efficiency, which is managed through the Authorised Corporate Director, which provides another level of governance.</p>
3 (e) & (f)	<p>All Downing clients are treated on the same basis with regards to trade execution however the list of authorised brokers differs depending on the activity performed by Downing. When professional clients have a list of execution brokers, retail clients' orders are executed with the custodian for cost efficiency. Downing regularly assess that such a choice enables the firm to consistently get the best results for their clients and determine whether there are alternative intermediaries that could be used.</p> <p>The monitoring of the quality of execution is consistent across all categories of clients.</p>
3 (g)	<p>Each trade is monitored by the Investment Team when placing the trade instruction to ensure that it is executed on the best terms available. Brokers used by Downing LLP are kept under regular review by the Investment Team. The quality of execution is monitored by the Compliance Team on a regular basis.</p>
3 (h)	<p>There are no consolidated tape providers (CTPs) that covered the Relevant Period of this report.</p>