



## **CQS (UK) LLP Best Execution Disclosure - 2017**

CQS (UK) LLP (“CQS”) is required on an annual basis to provide additional disclosures around the execution venues utilised for each in scope asset class as well as certain information on the quality of execution, as detailed in the Regulatory Technical Standard 28 detailed in the Commission delegated regulation (EU) 2017/576 of 8 June 2016. As a Collective Portfolio Management Investment firm (“CPMI”) and in accordance with the FCA Policy Statement 17/14, CQS is required to provide these disclosures in relation to clients for which it provides the services listed in Annex I, Section A of the Directive 2014/65/EU. **This disclosure does not include trading activity relating to our clients for which CQS is the appointed Alternative Investment Fund Manager (“AIFM”).**

When determining the strategy for placing orders for execution in the market, CQS took into account a number of execution factors, including, but not limited to, price, cost, speed, likelihood of execution and settlement, size, nature and any other consideration relevant to the execution of orders as appropriate for the characteristics of each order and the prevailing market conditions. In determining the relative importance of the execution factors CQS took into account the relevant client’s characteristics and objectives, the characteristic of the financial instrument including its liquidity and the available counterparties. These factors may differ from one order to another. We have however detailed below the relative importance of these factors for each in scope asset class.

CQS approves all counterparties prior to placing orders for execution with them. Counterparty approval takes into account a number of factors including the counterparty’s credit worthiness, regulatory status and execution performance. CQS has no close links or common ownership with counterparties used to execute trades.

CQS has a suite of policies designed to identify and mitigate any potential conflicts of interest which may affect execution quality and are designed to safeguard CQS’ obligations to take reasonable steps to achieve best execution. In relation to execution quality all clients are treated fairly. However, in instances where the choice of execution counterparty is restricted to a client approved list or where counterparty credit weighting constraints exist this could affect the execution quality.

For the year ending 2017 CQS confirms that it considers it took reasonable steps to achieve the best possible result when executing trades for its clients.



## CQS (UK) LLP Best Execution Disclosure - 2017

### Currency Derivatives

On average there has been more than one trade per day

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 % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders
<b>UBS</b>	40%	40%	N/A	N/A	0%
<b>State Street</b>	27%	27%	N/A	N/A	0%
<b>Northern Trust</b>	15%	12%	N/A	N/A	0%
<b>RBC</b>	12%	11%	N/A	N/A	0%
<b>NAB Ltd</b>	6%	11%	N/A	N/A	0%

All of these trades are currency hedging trades which are placed with the relevant client's custodian. Where the price provided by the custodian does not appear to provide the best possible result for CQS client, these have been challenged.

### Debt Instruments

On average there has been more than one trade per day

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 % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders
<b>J.P. Morgan</b>	17%	15%	N/A	N/A	0%
<b>Barclays</b>	13%	9%	N/A	N/A	0%
<b>Morgan Stanley</b>	10%	10%	N/A	N/A	0%
<b>Citibank</b>	10%	9%	N/A	N/A	0%
<b>Goldman Sachs</b>	9%	9%	N/A	N/A	0%

This relates to trades in corporate and sovereign debt as well as convertible bonds and asset-backed securities. Size of order, price and cost were the most significant factors. However, likelihood of execution is also a factor where liquidity in an instrument was limited.

Counterparty selection is naturally limited where clients participate in primary debt issuance.



## CQS (UK) LLP Best Execution Disclosure - 2017

### Credit derivatives

On average there has been fewer than one trade per day

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 % of total in that class	% of Passive orders	% of Aggressive orders	% of Directed orders
<b>J.P. Morgan</b>	51%	55%	N/A	N/A	0%
<b>Barclays</b>	26%	17%	N/A	N/A	0%
<b>Credit Suisse</b>	12%	17%	N/A	N/A	0%
<b>Goldman Sachs</b>	9%	9%	N/A	N/A	0%
<b>Citibank</b>	2%	2%	N/A	N/A	0%

This relates to credit derivative swaps and only represents the volume of trades for the clients in scope in 2017. Liquidity, price and cost were normally the most significant factors. However, likelihood of execution also became factors where liquidity in an instrument was limited.

In some cases, choice of execution counterparty is restricted to a client approved list or subject to a counterparty credit rating constraint as agreed with the relevant client.