

RTS 28 Quality of Execution Annual Report

Firm: Albar Capital Ltd. (the “Firm”)

Calendar Year Disclosure Period: 1 January 2019 to 31 December 2019

Date: 30 April 2020

The Firm is an investment manager registered with the Financial Conduct Authority (“FCA”). The Firm is authorised by the FCA to manage alternative investment funds in its capacity as an Alternative Investment Fund Manager (“AIFM”) under the Alternative Investment Fund Managers Directive (“AIFMD”), and to provide discretionary management services (and related advisory and dealing services) to managed account clients. The Firm provides investment management services to only “professional clients.” The terms of the Firm’s FCA permission entitle it to carry on certain investment management activities that are regulated under the Markets in Financial Instruments Directive and Regulation (together, “MiFID II”). In relation to such investment management activities (known as MiFID II “top-up” services), the Firm is subject to the FCA rules that implement MiFID II as well as certain directly applicable EU secondary regulation like Regulatory Technical Standard 28 (“RTS 28”). In accordance with RTS 28, the Firm is providing disclosures around the execution venues utilised for each class of financial instrument and quality of execution in relation to transmission of orders for its managed account business only. Please note that the Firm has only included classes of instruments in this report where the Firm has transmitted client orders in that class of instruments.

In Part 1 of this report, each execution venue or broker is ranked by trading volume for asset classes traded by the Firm. All values are reported in percentages and rounded to two decimal places.

Part 2 of this report sets out a summary of the Firm’s analysis and conclusions from its detailed monitoring of the quality of execution obtained on the execution venues and investment firms where it executed client orders.

Please note that this document is not marketing or promotional material and has been prepared and published solely to ensure compliance with MiFID II disclosure requirements.

Part 1

Class of Instrument	A(i) Cash equities (Tick size liquidity bands 5 and 6 (from 2 000 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)	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
Jeffries LLC (58PU97L1COWSRCWADL48)	17.00%	16.60%	N/A	N/A	0%
Cowen & Company, LLC (549300WR155U7DVMIW58)	11.71%	10.46%	N/A	N/A	0%
Morgan Stanley & Co. International PLC (4PQUHN3JPFGFNF3BB653)	11.56%	17.47%	N/A	N/A	0%
JPMorgan Securities PLC (K6Q0W1PS1L1O4IQL9C32)	11.54%	8.93%	N/A	N/A	0%
Barclays Capital Inc. (AC28XWWI3WIBK2824319)	10.41%	10.35%	N/A	N/A	0%

Class of Instrument	A(iii) Cash equities (Tick size liquidity bands 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)	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
Jeffries LLC (58PU97L1C0WSRCWADL48)	25.53%	25.67%	N/A	N/A	0%
Cowen & Company, LLC (549300WR155U7DVMIW58)	12.27%	12.02%	N/A	N/A	0%
Goldman Sachs International (W22LROWP2IHZNBB6K528)	10.15%	8.71%	N/A	N/A	0%
JPMorgan Securities PLC (K6Q0W1PS1L1O4IQL9C32)	9.20%	7.19%	N/A	N/A	0%
Barclays Capital Inc. (AC28XWWI3WIBK2824319)	8.47%	7.93%	N/A	N/A	0%

Class of Instrument	G(i) – Equity Derivatives - Options and Futures admitted to trading on a trading venue (including index futures)				
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)	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
Barclays Capital Inc. (AC28XWWI3WIBK2824319)	100.00%	100.00%	N/A	N/A	100%

Class of Instrument	G(ii) – Equity Derivatives - Swaps and other equity derivatives (including ETF swaps)				
	N				
Notification if < 1 average trade per business day in the previous year					
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
Barclays Capital Securities Limited (K9WDOH4D2PYBSLSOB484)	84.46%	53.20%	N/A	N/A	100%
Goldman Sachs International (W22LROWP2IHZNBB6K528)	7.75%	5.46%	N/A	N/A	100%
Morgan Stanley & Co. International PLC (4PQUHN3JPFGFNF3BB653)	6.63%	33.42%	N/A	N/A	100%
UBS AG (BFM8T61CT2L1QCEMIK50)	1.16%	7.92%	N/A	N/A	100%

Class of Instrument	K – Exchange Traded Products (Exchange traded funds)				
	N				
Notification if < 1 average trade per business day in the previous year					
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
Morgan Stanley & Co. International PLC (4PQUHN3JPFGNF3BB653)	47.29%	53.78%	N/A	N/A	0%
Goldman Sachs International (W22LROWP2IHZNBB6K528)	15.50%	12.47%	N/A	N/A	0%
JPMorgan Securities PLC (K6Q0W1PS1L104IQL9C32)	6.54%	5.93%	N/A	N/A	0%
Citigroup Global Markets Limited (XKZZ2JZF41MRHTR1V493)	5.42%	4.50%	N/A	N/A	0%
Credit Suisse Securities (Europe) Limited (DL6FFRRLF74S01HE2M14)	5.42%	3.27%	N/A	N/A	0%

Part 2: Best Execution Qualitative Information

A summary of the analysis and conclusions the firm draws from its detailed monitoring of the quality of execution obtained on the execution venues where it executed all client orders in the previous year

When executing a transaction for a client or placing an order with a third party for execution on behalf of a client, the Firm is obliged to take all reasonable steps to obtain the best possible result taking account of relevant execution factors, such as price, cost, likelihood of execution and settlement, size, nature of the transaction and any other relevant considerations. The ranking of execution factors is determined on a trade by trade basis, by reference to the characteristics of the order, underlying financial instruments and available execution venues.

The Firm conducted detailed monitoring of the quality of the execution obtained on the execution venues where it executed or transmitted client orders in the year ending 31 December 2019.

Such monitoring included the review of Transaction Cost Analysis (“TCA”) reports obtained from our execution counterparties and through our execution management system. The reports, inter alia, review algorithm performance, providing slippage and signalling metrics, as well as spread analysis, including details of frequency of crossing the spread and associated costs. The price is also compared both ex ante and ex post to third party (e.g., Bloomberg) price spread charts to determine whether best execution will be/was achieved.

The monitoring indicated that generally, price was the most important execution factor, across all classes of instruments, i.e. the execution price of the financial instrument (before costs) plus all costs associated with acquiring or disposing of the relevant financial instrument, including both explicit costs (such as commissions charged by third party brokers) and implicit costs (such as movements in the price of the financial instrument as a result of the execution). In addition, the monitoring showed that implicit cost considerations are a key element in formulating the execution strategy of orders and differentiating between the many available electronic algorithms, to ensure that such costs are managed and do not result in an undue impact to total costs.

The monitoring completed confirmed that best execution was obtained consistently on the approved execution venues throughout the year.

In particular, the Firm considers that:

- *The execution venues and brokers with which the Firm maintains relationships demonstrated the capabilities necessary to efficiently execute orders across the full range of asset classes traded by the Firm on behalf of its clients;*
- *The Firm maintains relationships with a sufficient number of execution venues and brokers, given the extent and nature of its trading activities;*
- *The commissions charged by the brokers it used to execute orders were reasonable and consistent with, or more favorable than, standard market rates;*
- *Taken on an overall basis, the Firm’s selection of execution venues and brokers resulted in the best possible results for its clients.*

The Firm considers that it has met its obligation to achieve the best possible result for its clients on a consistent basis for the calendar year ending 31 December 2019.

A summary of the analysis and conclusions the firm draws from its detailed monitoring is broken out by asset class below.

A(i) – A(iii): Equities - Shares & Depositary Receipts

As part of Albar’s analysis of best execution in relation to equities, the Firm analysed the trades during the relevant period to determine whether any of the trades were outside relevant benchmarks such as volume-weighted average price (“VWAP”), and implementation shortfall, measured from arrival to the final execution price. TCA reports were also obtained from our execution counterparties. As noted above, the reports, inter alia, reviewed algorithm performance, providing slippage and signalling metrics, as well as spread analysis, including details of frequency of crossing the spread and associated costs. The monitoring completed confirmed that best execution was obtained consistently on the approved execution venues throughout the year.

	<p><i>G(i) and G(ii): Equity Derivatives (Futures and Options admitted to trading on a trading venue, Swaps and other Equity Derivatives)</i></p> <p><i>The Firm was directed to use the equity derivatives counterparties identified above by its relevant clients. The monitoring completed confirmed that best execution was obtained consistently on the approved execution venues throughout the year.</i></p> <p><i>Swap transactions that are included within instrument class G(ii) are generally effected by the Firm seeking “indicative pricing” from an executing broker. If the indicative pricing is acceptable to the Firm, the executing broker then enters into a cash equity transaction with the relevant swap counterparty and a corresponding swap arises between the swap counterparty and the underlying account on whose behalf the Firm is acting. Although the pricing of the cash equities transaction influences the pricing of the related swap, the Firm has not included the indicative pricing activity conducted with executing brokers in the calculation of the Firm’s top five execution venues above (or in the equities instrument class) because the Firm does not execute (or transmit or place orders that give rise to) such cash equities transactions. Instead, the Firm has, for the purposes of this equity derivatives instrument class, counted only the swap transactions to which the relevant underlying account is party. The Firm used the same best execution process as noted above for cash equities in assessing the quality of the indicative pricing received from executing brokers.</i></p> <p><i>K: Exchange traded products</i></p> <p><i>The Firm used the same best execution process as noted above for cash equities. The monitoring completed confirmed that best execution was obtained consistently on the approved execution venues throughout the year.</i></p>
<p>An explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including</p>	<p><i>Albar’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. The Firm 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. This means taking into account the ‘execution factors’ such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.</i></p>

qualitative factors when assessing the quality of execution

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. As noted above, generally, price was the most important execution factor, across all classes of instruments, i.e. the execution price of the financial instrument (before costs) plus all costs associated with acquiring or disposing of the relevant financial instrument, including both explicit costs (such as commissions charged by third party brokers) and implicit costs (such as movements in the price of the financial instrument as a result of the execution). When trading less liquid securities, considerations such as liquidity, anonymity and signalling become more prevalent in our execution decision. Transaction costs are generally set quite similarly across executing brokers and are therefore not an important differentiating factor.

Common key factors for relevant asset classes have been identified as follows:

A(i) – A(iii): Equities - Shares & Depositary Receipts

Price is generally the most important factors in the context of equities. Implicit price factors are also key, especially slippage versus arrival, signalling and market impact. These are taken into account when considering the execution strategy of orders to ensure that they are managed and do not result in an undue impact to total price.

Speed as well as likelihood of execution and settlement are closely tied as the second and third most important factors for equity (both on cash and swap). Counterparties' consistent ability to meet liquidity requirements, depth of liquidity and pricing will also be among the most important execution factors.

For larger orders executed across a period of time, the Firm will additionally take into account trading anonymity, minimisation of market impact, and slippage historically achieved on each venue or with each broker.

When trading less liquid securities, considerations such as liquidity, anonymity and signalling become more prevalent in our execution decisions. The Firm will tend to utilise executing broker algorithms that access conditional and dark venues (with a preference for algorithms that execute on Large in Scale (LIS) trading venues) and provide larger sized fills, and that refrain from trading on primary lit venues, where signalling is most apparent. In addition, the Firm will naturally utilize high touch execution more frequently for these types of orders in an effort to source liquidity.

	<p>G(i) and G(ii): Equity Derivatives (Futures and Options admitted to trading on a trading venue, Swaps and other Equity Derivatives)</p> <p><i>The Firm was directed to use the equity derivatives counterparties identified above by its relevant clients.</i></p> <p><i>Swap transactions that are included within instrument class G(ii) are generally effected by the Firm seeking “indicative pricing” from an executing broker. If the indicative pricing is acceptable to the Firm, the executing broker then enters into a cash equity transaction with the relevant swap counterparty and a corresponding swap arises between the swap counterparty and the underlying account on whose behalf the Firm is acting. Although the pricing of the cash equities transaction influences the pricing of the related swap, the Firm has not included the indicative pricing activity conducted with executing brokers in the calculation of the Firm’s top five execution venues above (or in the equities instrument class) because the Firm does not execute (or transmit or place orders that give rise to) such cash equities transactions. Instead, the Firm has, for the purposes of this equity derivatives instrument class, counted only the swap transactions to which the relevant underlying account is party. The Firm used the same best execution process as noted above for cash equities in assessing the quality of the indicative pricing received from executing brokers.</i></p> <p>K: Exchange traded products</p> <p><i>The Firm used the same best execution process as noted above for cash equities.</i></p>
<p>A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders</p>	<p><i>The Firm does not have any close links, conflicts of interests or common ownerships with respect to the execution venues it uses to execute/transmit orders.</i></p>

<p>A description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received</p>	<p><i>Albar 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.</i></p> <p><i>The Firm has determined that it will pay for research from its Research Payment Account (“RPA”) and as such has arrangements in place to pay for the receipt of such research.</i></p>
<p>An 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</p>	<p><i>The Firm reviews regularly the list of execution venues and brokers listed in the Firm's execution policy, and may make changes based on its assessment of a given execution venue’s or broker’s specialisation in particular instruments, markets, or regions, ability to source inventory or market flow, or ability to obtain favourable pricing or low overall transaction costs at a given order size. The list of execution venues and brokers did not change materially during the period under review.</i></p>
<p>An 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</p>	<p><i>While Albar 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.</i></p>
<p>An 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</p>	<p><i>The Firm does not execute retail client orders.</i></p>
<p>An explanation of how the Firm has used any data or tools relating to the quality of execution, including any</p>	<p><i>The Firm uses a combination of automated and ad-hoc reporting tools including TCA reports particularised to our trading that are produced by our execution brokers, the TCA tool incorporated in our execution management system, third party compliance tools and Bloomberg price spread charts to determine whether</i></p>

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best execution will be/was achieved, and to analyse implicit and explicit costs that may arise in the course of effecting transactions and/or transmitting orders. The reporting is regularly reviewed by the Trading team and outliers are accordingly escalated to the appropriate person(s) or team(s) which can include Operations, Compliance or the Investment team. Best execution is also independently reviewed by Compliance. Furthermore, reporting and escalations are presented to and reviewed by the Firm's Operations Committee and the Firm's Best Execution Committee, both formal governance and oversight committees that meet regularly. The Best Execution Committee reviews adherence to the Firm's Best Execution Policy and policies and procedures designed to achieve the highest overall quality of execution for clients. It is attended by senior Trading, Compliance, Risk and Operations employees.

The Firm has not formally taken into account data from brokers or execution venues under Regulatory Technical Standard 27 ("RTS 27") because of the difficulty inherent in synthesizing this data in a meaningful way. We anticipate that third-party vendors will offer tools in the near future to facilitate this process.

Where applicable, an explanation of how the investment firm has used output of a consolidated tape provider ("CTP") established under Article 65 of Directive 2014/65/EU.

Not applicable, as there were no such CTPs available in Europe during the period to which this disclosure relates.