

MiFID II Top 5 Venue Reporting Commentary

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Introduction

The Markets in Financial Instruments Directive (MIFID II) requires investment firms to summarise and make public, on an annual basis, the top five execution venues used (brokers or counterparties) in relation to the volume of trades placed across a range of financial instruments.

Investment firms are required to publish this summary both for trades they have executed themselves, and for trades they have placed with other firms for execution.

Requirement of the Directive

Article 3(3): Investment firms shall publish 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. The information shall include:

- a. 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 qualitative factors when assessing the quality of execution;**

General

The relative importance of each of these factors within our dealing process will vary depending upon a number of criteria, namely: -

1. The investment intent of the investment manager who created the order.
2. The characteristics of financial instruments that are the subject of that order; and
3. The characteristics of the brokers and/or execution venues to which that order can be directed.

Generally, order characteristics vary and market conditions are never constant. The relative importance of the execution factors is therefore variable. That said, total consideration (price and cost), size and certainty of execution are generally the most relevant factors when executing orders.

MiFID II Top 5 Venue Reporting Commentary

Where an instrument is less liquid, then likelihood of execution becomes a more important consideration. Another factor relevant to best execution is counterparty risk, particularly in the case of instruments which are not settled by delivery versus payment. Under this scenario, our assessment of credit risk may impact on our selection of who we trade with.

AMMT continually reviews the effectiveness of execution arrangements and policies. In this context, AMMT ensures that execution quality is regularly reviewed by internal controls as to whether the best possible result is achieved by selecting brokers / counterparties or execution venues for clients. In particular, any information provided by the brokers / counterparties or respective execution venues about the execution quality of orders is taken into account.

Speed of execution is one of the factors of best execution that the Fund Manager monitors during trading in conjunction with price, market liquidity and volatility among other. The Fund Manager exercises reasonable level of care to balance all best execution factors in relation to the asset being traded to ensure the best possible outcome for portfolio investors.

Equities — Shares

Total Consideration (price and cost) is the primary execution factor that governs the majority of activity, with other factors being prioritised as demanded by the characteristics of the order(s) in question and prevailing market conditions.

Exchange Traded Products

As for equities.

Debt Instruments (Bonds)

In addition to Total Consideration, certainty of execution i.e. efficient sourcing of available liquidity, broker/counterparty performance and relative positioning becomes the more dominant execution factor for fixed income securities, particularly for credit and where debt securities are less liquid.

Currency Derivatives (Swaps, forwards, and other currency derivatives)

In addition to Total Consideration, certainty of execution i.e. efficient sourcing of available liquidity, becomes a more dominant execution factor, as does our counter-party credit assessment.

MiFID II Top 5 Venue Reporting Commentary

Other Instruments

Other instruments largely refers to collective investment schemes where price is determined daily. Timely and efficient execution to the Net Asset Value of the fund is the primary factor.

b. a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;

AMMT executes orders with affiliates within HSBC Group. All such activity is transacted at arm's length and on prevailing market terms.

AMMT does not own any execution venues, however investors may legitimately hold equity and/or debt positions in financial organisations including brokers, venues and other operators of financial markets infrastructure.

Currency Derivatives (Swaps, forwards, and other currency derivatives)

All currency derivative activity is transacted at arms-length solely with HSBC Global Markets. This arrangement was put in place a number of years ago predominantly as this was considered to offer a robust level of operational control. When trading Foreign Exchange Derivatives, HSBC Global Asset Management (Malta) Ltd deals with a single counterparty being HBEU. To ensure the best possible result for the client, AMMT is giving price priority while still considering other factors, cost, speed and probability of execution and settlement, size, and nature of the order. The transactions on Foreign Exchange take place over an electronic platform at contracted spreads. The contracted rate is independent of volume (percentage fee does not fluctuate based on transaction size), and given that volumes traded vary, the average cost of execution remains very low, known and transparent. In addition, the venue in which Foreign Exchange is executed allows the Portfolio Manager to achieve high speed of execution and hence investor can take opportunities to benefit from special market conditions at the time the Portfolio Manager decides to carry out a transaction. In addition, taking into consideration the low risk of the contracted counterparty, settlement risk is also low ensuring best execution is achieved in Foreign Exchange trading at the best interest of the client.

c. a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;

AMMT has no specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits.

MiFID II Top 5 Venue Reporting Commentary

- d. 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;**

Brokerage firms remain on our list of execution venues subject to an authorisation and ongoing monitoring process, which includes, but is not limited to, the broker's credit worthiness and financial stability, a review of the performance of execution services provided by the broker, the brokers coverage of and access to markets and liquidity, and the broker's ability to trade effectively on our clients' behalf.

- e. 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;**

All AMMT customers are categorised as Professional, and all orders are treated equally.

- f. 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;**

Not applicable. AMMT does not trade retail client orders.

- g. an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575 [RTS 27];**

AMMT uses independent TCA (transaction cost analysis) providers to support our monitoring of the quality of execution obtained on the execution venues where we execute/place for execution client orders.

- h. where applicable, an explanation of how the investment firm has used output of a consolidated tape provider**

Not applicable. There are currently no consolidated tape providers in Europe.

MiFID II Top 5 Venue Reporting Commentary

The data above is based on execution data in the period from 1st January 2022 to 31st December 2022 inclusive.

The disclosure of information on execution venue selection (also known as RTS 28 disclosure) for HSBC Global Asset Management (Malta) Ltd on this website, www.assetmanagement.hsbc.com.mt (the 'Site') is subject to the following:

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