



Quality of Execution 2017 Annual Report

Report Date 30th April 2018

This report is provided in respect of Boussard & Gavaudan Investment Management LLP registered in England and Wales with registration number: OC388967 and regulated by the FCA with reference number: 612226, Boussard & Gavaudan Asset Management LP registered in England and Wales with registration number: LP008216 and regulated by the FCA with reference number: 216849, and Boussard & Gavaudan Gestion registered in France with RCS number: 443014584 and regulated by the AMF with authorisation number: GP03008, together Boussard & Gavaudan (“BG”).

The report provides qualitative and quantitative information summarising the quality of execution obtained on trades undertaken by BG in 2017, categorised by the sub-classes of instruments detailed below. BG has prepared this annual execution disclosure report in accordance with the FCA rules, as detailed in the FCA’s Handbook (COBS 11.2A) and industry guidance.

Data provided in the report is for all of the firm’s execution, including its activity as an AIFM and UCITS manager. Trade data used to compile the reports includes all trade flows and thus includes hedging trades performed as part of an options trade. Such hedging trades can have a significant impact on the Top 5 Venue report given their large notional value. This report does not include tables for instrument classes that BG has not traded during the relevant period. Where tick size information was not available for Equity instruments, these have been included under the Other Instruments category.

Quality of execution is monitored using a Trade Cost Analysis (“TCA”) tool to identify any outliers and trends. Both the trading team and the firm’s independent Compliance function monitor execution using TCA and perform sample tests to ensure the firm is taking all sufficient steps to ensure best execution is achieved for clients.

Where TCA data is not available, the firm checks the price achieved against competing quotes. BG’s front office and the independent compliance function review trades to ensure that where possible competing quotes have been obtained.

This report is available in alternative formats upon request. Any queries should be directed to: BG.Compliance@bgam-fr.com

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.

Instrument Class:

- [Equities \(all tick sizes\)](#)
- [Exchange traded products \(Exchange traded funds, exchange traded notes and exchange traded commodities\)](#)
- [Contracts for difference](#)

Instrument Class	Equities - Shares & Depository Receipts				
Sub Class of Instrument	Tick Liquidity Band 1 and 2				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	69.95%	96.47%			
KEPLER SECURITIES	21.32%	0.24%			
JP MORGAN SECURITIES PLC	2.17%	0.80%			
BOFA - MERRILL LYNCH	1.84%	0.45%			
MORGAN STANLEY & CO INTL PLC	1.54%	0.52%			

Instrument Class	Equities - Shares & Depository Receipts				
Sub Class of Instrument	Tick Liquidity Band 3 and 4				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	50.78%	88.19%			
DEUTSCHE BANK	32.75%	6.04%			
MORGAN STANLEY & CO INTL PLC	5.03%	1.00%			
MITSUBISHI SECURITIES	4.68%	1.72%			
CITIGROUP GM LTD	1.77%	0.41%			

Instrument Class	Equities - Shares & Depository Receipts				
Sub Class of Instrument	Tick Liquidity Band 5 and 6				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	89.73%	95.44%			
JP MORGAN SECURITIES PLC	9.48%	1.06%			
UBS	0.33%	0.57%			
BNP	0.11%	0.17%			
NATIXIS SA	0.09%	0.17%			

Instrument Class	Contracts for difference				
Sub Class of Instrument	Contracts for difference				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	84.12%	98.47%			
UBS	4.81%	0.22%			
JP MORGAN SECURITIES PLC	4.58%	0.37%			
BOFA - MERRILL LYNCH	1.88%	0.22%			
MORGAN STANLEY & CO INTL PLC	1.39%	0.13%			

Instrument Class	Exchange traded products				
Sub Class of Instrument	Exchange traded products				
Notification if <1 average trade per business day in the previous year				Y	
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP MORGAN SECURITIES PLC	82.43%	66.67%			
CSFB	17.57%	33.33%			

The size of the order, price and cost are the main factors considered when executing Equities, Exchange Traded Products and CFDs.

The more illiquid an instrument, the more important other considerations such as the size of the order and market impact become. In exceptional circumstances likelihood and speed of execution may take priority.

The Top 5 Venue reports for Equities and CFDs show the most common venue is Credit Suisse which provides BG with a Direct Market Access (“DMA”) service, offering the firm low-cost electronic order submission and execution.

In 2017 less than 10 trades were executed by BG for Exchange Traded Products, with price and cost the main factors considered.

- Debt Instruments – Bonds

Instrument Class	Debt				
Sub Class of Instrument	Bonds				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
DEUTSCHE BANK	70.35%	14.30%			
MORGAN STANLEY & CO INTL PLC	10.33%	3.92%			
MITSUBISHI SECURITIES	10.04%	3.05%			
BNP	3.43%	9.73%			
NATIXIS SA	2.59%	21.91%			

Size of order, price and cost are the most significant execution factors. Due to the illiquid nature of many debt instruments, special consideration must be given to market impact and information leakage.

Most debt instruments are traded Over the Counter (“OTC”). The trading team use their knowledge and experience of the market to send out a targeted number of Requests for Quote (“RFQ”) to brokers in order to mitigate market impact prior to trading whilst obtaining the best possible price.

Both the trading desk and the independent compliance function review trades to ensure that where possible an adequate number of competing quotes have been obtained.

- Debt Instruments – Money Market Instrument

Instrument Class		Debt			
Sub Class of Instrument		Money markets instruments			
Notification if <1 average trade per business day in the previous year					Y
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CREDIT AGRICOLE CIB	46.59%	51.22%			
SOCIETE GENERALE SA	31.22%	20.73%			
NOMURA INTL PLC	10.48%	23.17%			
BNP	7.24%	1.22%			
COMMERZBANK AG (LDN Branch)	2.89%	1.22%			

Price and cost will normally be the most significant factors when trading money market instruments. However, in order to comply with diversification requirements and counterparty exposure limits, price and cost may not always be the sole consideration when executing trades.

- Interest rates derivatives

Instrument Class		Interest rates derivatives			
Sub Class of Instrument		Futures and options admitted to trading on a trading venue			
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	89.54%	99.80%			
LOUIS CAPITAL MARKET	10.45%	0.16%			
HSBC	0.01%	0.03%			
INTERACTIVE BROKERS	0.00%	0.01%			

Instrument Class		Interest rates derivatives			
Sub Class of Instrument		Swaps, forwards, and other interest rates derivatives			
Notification if <1 average trade per business day in the previous year					Y
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP MORGAN SECURITIES PLC	100.00%	100.00%			

Futures and options admitted to trading on a trading venue are traded through BG's DMA provider CS. These instruments are very liquid with price being the primary execution factor.

Swaps, forwards and other interest rate derivatives are not often traded by BG. The number of trades executed in these instruments is very small, with less than 10 trades executed in 2017. Price is the primary execution factor.

- **Credit Derivatives**

Instrument Class		Credit Derivatives			
Sub Class of Instrument		Other credit derivatives			
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
BNP	27.61%	21.30%			
CITIGROUP GM LTD	22.78%	22.87%			
JP MORGAN SECURITIES PLC	21.75%	18.61%			
BARCLAYS	9.02%	16.14%			
SOCIETE GENERALE SA	8.31%	7.62%			

Other credit derivatives are traded OTC where the trading desk obtain multiple quotes and trade at the best price. For less liquid instruments the trading desk use their knowledge and experience to only request quotes from a limited number of targeted brokers so as to limit any potential impact on the price of the instrument.

- **Currency Derivatives**

Instrument Class		Currency derivatives			
Sub Class of Instrument		Futures and options admitted to trading on a trading venue			
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	98.69%	93.54%			
HSBC	1.31%	6.46%			

Instrument Class		Currency derivatives			
Sub Class of Instrument		Swaps, forwards, and other currency derivatives			
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
HSBC	33.85%	15.65%			
JP MORGAN SECURITIES PLC	30.42%	13.91%			
GOLDMAN SACHS INTL	14.82%	11.59%			
BNP	10.19%	28.12%			
STATE STREET	4.45%	4.93%			

When placing a currency derivative transaction, the trading desk will evaluate the quotes provided by counterparties and select the best price in terms of total consideration. Given the liquid nature of currency instruments price and cost is the most important execution factor considered.

- Equity Derivatives

Instrument Class		Equity derivatives			
Sub Class of Instrument		Futures and options admitted to trading on a trading venue			
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	37.41%	89.14%			
MORGAN STANLEY & CO INTL PLC	14.52%	0.66%			
BOFA - MERRILL LYNCH	12.96%	1.48%			
HSBC	11.76%	0.47%			
JP MORGAN SECURITIES PLC	8.62%	2.55%			

Instrument Class		Equity Derivatives			
Sub Class of Instrument		Swaps and other equity derivatives			
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP MORGAN SECURITIES PLC	91.37%	21.64%			
SOCIETE GENERALE SA	5.13%	21.98%			
MORGAN STANLEY & CO INTL PLC	1.56%	10.56%			
BOFA - MERRILL LYNCH	1.35%	17.21%			
UBS	0.56%	12.78%			

Price and liquidity are the main factors when executing trades on Options and Futures admitted to trading on a trading venue. Before selecting a broker or venue the trading team search for natural flow in order to reduce the market impact of trades.

The more illiquid an instrument, the more important other considerations such as the size of the order and market impact become. In certain circumstances likelihood and certainty of execution may take priority.

The table above for Options and Futures trading on a trading venue shows the most common venue is Credit Suisse Electronic Trading which provides BG with a DMA service, offering the firm low-cost electronic order submission and execution.

When trading swaps and other equity derivatives OTC, the price, cost and size of the order will generally be the most important factors. Depending on the liquidity and availability of the instrument market impact can become an important consideration. In exceptional circumstances the speed and likelihood of execution may become the primary concern.

- Securitised Derivatives

Instrument Class	Securitised Derivatives				
Sub Class of Instrument	Other securitised derivatives				
Notification if <1 average trade per business day in the previous year				Y	
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP MORGAN SECURITIES PLC	29.54%	16.28%			
NATIXIS SA	22.68%	53.49%			
DEUTSCHE BANK	22.59%	11.63%			
SOCIETE GENERALE SA	18.35%	2.33%			
BNP	5.58%	4.65%			

Instrument Class	Securitised Derivatives				
Sub Class of Instrument	Warrants and Certificate Derivatives				
Notification if <1 average trade per business day in the previous year				Y	
Top five execution venues ranked in terms of trading volumes (descending order)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	45.10%	33.33%			
BNP	22.91%	22.22%			
MORGAN STANLEY & CO INTL PLC	22.85%	33.33%			
SMBC Nikko Capital Markets Ltd	9.14%	11.11%			

For warrants, certificate derivatives and other securitised derivatives the price, cost and size of the order will generally be the most important factors considered. Depending on the liquidity and availability of the instrument market impact can become an important consideration. In exceptional circumstances the likelihood and speed of execution may become the primary concern.

- Commodities Derivatives

Instrument Class	Commodities Derivatives				
Sub Class of Instrument	Futures and options admitted to trading on a trading venue				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	86.70%	87.17%			
BGC PARTNERS	13.28%	12.79%			
HSBC	0.02%	0.04%			

Price and liquidity are the main factors considered when executing trades on Options and Futures admitted to trading on a trading venue. The more illiquid an instrument, the more important other considerations such as the size of the order and market impact become. In certain circumstances likelihood and certainty of execution may take priority where instruments are illiquid.

- Emission allowances

Instrument Class	Emission allowances				
Sub Class of Instrument	Emission allowances				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CSFB	100.00%	100.00%			

Emission allowances are traded through BG's DMA provider CS. The instruments traded are generally very liquid with price and cost being the primary execution factors considered.

- Other instruments

Instrument Class	Other instruments				
Sub Class of Instrument	Other instruments				
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)	Portion of volume traded as a percentage of total in that class	Portion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
STATE STREET	44.76%	1.23%			
NATIXIS SA	40.08%	1.42%			
CACEIS	3.28%	1.42%			
KEPLER SECURITIES	2.72%	0.71%			
HSBC	1.80%	0.19%			

Other instruments encompasses several different instrument types that do not correspond to any of the aforementioned instrument classes. Best execution on these instruments is generally determined by the size of the order, price and cost of execution. However, in exceptional circumstances, execution factors such as speed and likelihood of execution may take priority.

Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders

BG on behalf of its clients during the course of its portfolio management activities, invest in entities who are or whose sub-entities include execution venues. The potential conflict of interest is monitored by the firm's Compliance function but is deemed immaterial.

Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received

BG does not receive payments, discounts, rebates or non-monetary benefits in relation to its trading arrangements.

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

No changes.

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

Client categorisation not relevant in BG's context as it is a collective portfolio manager.

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

BG does not execute retail client orders; all the firm's clients are Professional clients.

Explanation of how the firm has used any data or tools relating to the quality of execution, including any data published by execution venues under RTS 27

BG uses a Trade Cost Analysis tool (TCA) to compare execution to relevant benchmarks such as VWAP, Implementation Shortfall/Slippage, and Reversion. Where benchmark data is not available due to the nature of instruments, such as those traded OTC, multiple quotes are obtained to ensure all sufficient steps are taken to achieve best execution for clients. Where trades fall outside of set parameters they are investigated by the front office and the firm's Compliance department. BG is satisfied that exceptions are within normal limits and best execution is being achieved.

RTS27 data and consolidated tape providers are currently unavailable, their use will be considered once available.
