



First State Investments

Annual Order Execution Report 2019

April 2020

Introduction

References to “First State Investments” in this report is a reference to “First State Investments International Limited” (“FSII”) and “First State Investment Management (UK) Limited” (“FSIM”), both of which are authorised and regulated by the UK Financial Conduct Authority and subject to MiFID II. Both firms also provide portfolio management services.

This is the annual report summarising the top 5 execution venues and brokers used by First State Investments during the calendar year ending 31 December 2019 together with information about the quality of execution obtained in line with Regulatory Technical Standard 28/Article 65(6) of Delegated Acts of the MiFID II rules and regulations.

All volumes are calculated in line with Investment Association guidance, and any that require currency conversions will have their trade converted from the trade currency back to GBP using the WM Reuters London 4pm closing rate on the day of the trade.

The information provided in the tables below, along with the qualitative information relate to FSIM. FSIM also executes and/or receives and transmit orders on behalf of FSII. Accordingly, FSII does not execute directly on any venues and its sole broker is FSIM for the purposes of this report. The above reflects in practice that our UK dealing desk resides in FSIM rather than both FSIM and FSII.

a) Equities Shares and Depositary Receipts – Broker Report

(i) Tick size liquidity bands 5 and 6 (from 2000 trades per day)

Notification if <1 average trade per business day in the previous year: N

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
K6Q0W1PS1L1O4IQL9C32	JP MORGAN SECURITIES PLC	22.54%	5.64%	N/A	N/A	0%
549300NUP2MJOCL4Q619	JEFFERIES HONG KONG LTD	9.31%	2.42%	N/A	N/A	0%
XKZZ2JZF41MRHTR1V493	CITIGROUP GLOBAL MARKETS LTD	7.63%	26.81%	N/A	N/A	0%
54930049G8WQ50OUSD19	SANFORD C. BERNSTEIN LIMITED	7.50%	3.55%	N/A	N/A	0%
S5THZMDUJCTQZBTRVI98	JEFFERIES INTERNATIONAL LTD	6.80%	11.35%	N/A	N/A	0%

(ii) Tick size liquidity bands 3 and 4 (from 80 to 1999 trades per day)

Notification if <1 average trade per business day in the previous year: N

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
TXDSU46SXBWIGJ8G8E98	RBC EUROPE LTD	18.69%	3.00%	N/A	N/A	0%
54930049G8WQ50OUSD19	SANFORD C. BERNSTEIN LIMITED	15.30%	5.91%	N/A	N/A	0%
549300TDJKVQJ41VN031	CIBC WORLD MARKETS INC	10.75%	0.36%	N/A	N/A	0%
549300NUP2MJOCL4Q619	JEFFERIES HONG KONG LTD	10.18%	2.10%	N/A	N/A	0%
S5THZMDUJCTQZBTRVI98	JEFFERIES INTERNATIONAL LTD	5.28%	12.74%	N/A	N/A	0%

a) Equities Shares and Depositary Receipts – Broker Report

(iii) Tick size liquidity band 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 brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
54930049G8WQ50OUSD19	SANFORD C. BERNSTEIN LIMITED	14.23%	5.24%	N/A	N/A	0%
549300NUP2MJOCL4Q619	JEFFERIES HONG KONG LTD	13.96%	2.58%	N/A	N/A	0%
549300GX4FPMFF91RJ37	MACQUARIE CAPITAL EUROPE LTD	7.52%	4.05%	N/A	N/A	0%
XKZZ2JZF41MRHTR1V493	CITIGROUP GLOBAL MARKETS LTD	6.39%	30.17%	N/A	N/A	0%
549300KM6VUHPKQLQX53	CANTOR FITZGERALD EUROPE	5.70%	0.85%	N/A	N/A	0%

a) Equities Shares and Depositary Receipts – Venue Report

(i) Tick size liquidity bands 5 and 6 (from 2000 trades per day)

Notification if <1 average trade per business day in the previous year: N

Top five venues ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
LIQU	LIQUIDNET EUROPE LTD	11.85%	4.26%	N/A	N/A	0%
BIDS	BIDS TRADING LP*	5.71%	2.73%	N/A	N/A	0%
ITGI	ITG - POSIT	3.94%	1.58%	N/A	N/A	0%

(ii) Tick size liquidity bands 3 and 4 (from 80 to 1999 trades per day)

Notification if <1 average trade per business day in the previous year: N

Top five venues ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
LIQU	LIQUIDNET EUROPE LTD	3.96%	2.49%	N/A	N/A	0%
ITGI	ITG - POSIT	1.43%	0.93%	N/A	N/A	0%
BIDS	BIDS TRADING LP*	1.10%	0.87%	N/A	N/A	0%

(iii) Tick size liquidity band 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 venues ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
LIQU	LIQUIDNET EUROPE LTD	5.38%	2.30%	N/A	N/A	0%
BIDS	BIDS TRADING LP*	1.81%	1.19%	N/A	N/A	0%
ITGI	ITG - POSIT	1.13%	0.77%	N/A	N/A	0%

*Includes Trading by CBOE Europe Ltd/BATS Europe

b) Debt Instruments – Broker Report

Bonds

Notification if <1 average trade per business day in the previous year: N

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
XKZZ2JZF41MRHTR1V493	CITIGROUP GLOBAL MARKETS LTD	9.59%	11.47%	N/A	N/A	0%
ROMUWSFPU8MPRO8K5P83	BNP PARIBAS	9.38%	5.36%	N/A	N/A	0%
K6QOW1PS1L1O4IQL9C32	JP MORGAN SECURITIES PLC	8.18%	7.96%	N/A	N/A	0%
GGDZP1UYGU9STUHRDP48	MERRILL LYNCH INTERNATIONAL	6.42%	6.56%	N/A	N/A	0%
549300TTHIODYMGND828	MARKETAXESS EUROPE LTD	5.69%	6.92%	N/A	N/A	0%

Money market instruments

Notification if <1 average trade per business day in the previous year: Y

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
K6QOW1PS1L1O4IQL9C32	JP MORGAN SECURITIES PLC	53.43%	10.53%	N/A	N/A	0%
XKZZ2JZF41MRHTR1V493	CITIGROUP GLOBAL MARKETS LTD	28.99%	13.16%	N/A	N/A	0%
PT3QB789TSUIDF371261	THE TORONTO-DOMINION BANK	3.94%	18.42%	N/A	N/A	0%
4PQUHN3JPFGFNF3BB653	MORGAN STANLEY & CO INTERNATIONAL PLC	3.61%	7.89%	N/A	N/A	0%
8NAV47TOY26Q87YOQP81	MERRILL LYNCH PIERCE FENNER & SMITH INC	3.41%	5.26%	N/A	N/A	0%

c) Interest Rate Derivatives – Broker report

Futures and options - Brokers

Notification if <1 average trade per business day in the previous year: N

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
D5FWQUJWZY07LV3DO749	CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LTD	73.64%	69.64%	N/A	N/A	0%
549300Z0AVQF0QSFQV15	JP MORGAN SECURITIES AUSTRALIA LTD	13.70%	11.72%	N/A	N/A	0%
BFM8T61CT2L1QCCEMIK50	UBS AG	7.67%	11.89%	N/A	N/A	0%
K6Q0W1PS1L1O4IQL9C32	JP MORGAN SECURITIES PLC	2.61%	6.00%	N/A	N/A	0%
XKZZ2JZF41MRHTR1V493	CITIGROUP GLOBAL MARKETS LTD	2.38%	0.76%	N/A	N/A	0%

Swaps and other interest rates derivatives - Brokers

Notification if <1 average trade per business day in the previous year: Y

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
7H6GLXDRUGQFU57RNE97	JP MORGAN CHASE BANK, NATIONAL ASSOCIATION	37.39%	32.84%	N/A	N/A	0%
E57ODZWZ7FF32TWEFA76	CITIBANK, NATIONAL ASSOCIATION	19.91%	20.90%	N/A	N/A	0%
K6Q0W1PS1L1O4IQL9C32	JP MORGAN SECURITIES PLC	10.90%	16.42%	N/A	N/A	0%
ROMUWSFPU8MPRO8K5P83	BNP PARIBAS	9.73%	7.46%	N/A	N/A	0%
MSFSBD3QN1GSN7Q6C537	COMMONWEALTH BANK OF AUSTRALIA	8.20%	3.73%	N/A	N/A	0%

d) Credit Derivatives – Broker Report

Credit derivatives - Brokers

Notification if <1 average trade per business day in the previous year: Y

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
R0MUWSFPU8MPRO8K5P83	BNP PARIBAS	37.45%	33.76%	N/A	N/A	0%
7H6GLXDRUGQFU57RNE97	JP MORGAN CHASE BANK, NATIONAL ASSOCIATION	29.32%	24.20%	N/A	N/A	0%
I7331LVCZKQKX5T7XV54	MORGAN STANLEY CAPITAL SERVICES LLC	17.01%	18.47%	N/A	N/A	0%
E57ODZWZ7FF32TWEFA76	CITIBANK, NATIONAL ASSOCIATION	15.25%	9.55%	N/A	N/A	0%
B4TYDEB6GKMZO031MB27	BANK OF AMERICA, NATIONAL ASSOCIATION	0.69%	10.19%	N/A	N/A	0%

e) Currency Derivatives – Venue Report

Swaps, forwards, and other currency derivatives - Venues

Notification if <1 average trade per business day in the previous year: N

Top five execution venues ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
549300SDDJE84DDJNB30	REFINITIV TRANSACTION SERVICES LTD*	100%	100%	N/A	N/A	0%

*Refinitiv Transaction Services Ltd is the legal name for FXALL

f) Equity Derivatives – Broker Report

Options and Futures - Brokers

Notification if <1 average trade per business day in the previous year: N

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
K6Q0W1PS1L1O4IQL9C32	JP MORGAN SECURITIES PLC	91.26%	96.55%	N/A	N/A	0%
XKZZ2JZF41MRHTR1V493	CITIGROUP GLOBAL MARKETS LIMITED	8.65%	3.32%	N/A	N/A	0%
549300Z0AVQF0QSFQV15	JP MORGAN SECURITIES AUSTRALIA LTD	0.09%	0.13%	N/A	N/A	0%

g) Exchange-Traded Products – Broker Report

Exchange traded funds, exchange traded notes and exchange traded commodities - Brokers

Notification if <1 average trade per business day in the previous year: Y

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
XKZZ2JZF41MRHTR1V493	CITIGROUP GLOBAL MARKETS LTD	93.53%	97.98%	N/A	N/A	0%
S5THZMDUJCTQZBTRVI98	JEFFERIES INTERNATIONAL LTD	6.47%	2.02%	N/A	N/A	0%

h) Other Instruments – Broker Report

Any instruments not reported previously and non-EU equities - Brokers

Notification if <1 average trade per business day in the previous year: N

Top five brokers ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
549300GX4FPMFF91RJ37	MACQUARIE CAPITAL EUROPE LIMITED	15.66%	11.99%	N/A	N/A	0%
335800UPB6WYCL1OGO02	BATLIVALA & KARANI SECURITIES INDIA PRV LTD	12.43%	12.18%	N/A	N/A	0%
S5THZMDUJCTQZBTRVI98	JEFFERIES INTERNATIONAL LTD	11.74%	20.80%	N/A	N/A	0%
335800UUZDPJ7XGOFU74	KOTAK SECURITIES LTD	10.66%	5.37%	N/A	N/A	0%
K6Q0W1PS1L1O4IQL9C32	JP MORGAN SECURITIES PLC	8.03%	1.97%	N/A	N/A	0%

h) Other Instruments – Venue Report

Any instruments not reported previously and non-EU equities - Venues

Notification if <1 average trade per business day in the previous year: Y

Top five venues ranked in descending order of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as a % of total in asset class	% of Passive Orders	% of Aggressive Orders	% of Directed Orders
LIQU	LIQUIDNET EUROPE LTD	1.58%	1.39%	N/A	N/A	0%
BIDS	BIDS TRADING LP*	0.14%	0.22%	N/A	N/A	0%
ITGI	ITG - POSIT	0.03%	0.02%	N/A	N/A	0%

Qualitative Notes

Qualitative notes to the report (1)

When executing orders the main factors we took into consideration were price, cost, speed of execution, likelihood of execution and settlement, the size of the order, the nature of the order, prevention of information leakage and any other considerations relevant to the execution of the order.

The relative importance of the execution factors varied depending upon a number of criteria, including:

- the characteristics and nature of the order;
- the characteristics of the financial instruments that are the subject of the order; and
- the characteristics of the execution venues to which the order can be directed.

A close link exists between First State and Morgan Stanley because of MUTB's significant shareholdings. Any orders passed to Morgan Stanley for execution were dealt on an arms-length basis on commercial terms. There were no other close links or conflicts of interest with any venue or broker listed in this report and we did not receive any form of remuneration, discount or non-monetary benefit for directing orders to a particular venue or broker for execution.

In order to minimise the risk of potential conflicts of interest when selecting brokers with whom to place orders for execution, the commission rates we pay are set so as not to discriminate between different brokers. We also did not take part in any form of directed brokerage or commission recapture arrangement.

We continually evaluate venue and broker quality making changes to our approved lists where we feel appropriate. The list of approved counterparties and venues is included in our Order Execution Policy.

Qualitative notes to the report (2)

Our Order Execution Policy does not treat different categories of clients differently. Whilst retail clients may invest in our funds, we do not execute retail client orders directly.

For the period of the report we used various internal tools and third party analysis to assist with our monitoring and execution. Our Equity teams used an external transaction cost analysis provider who provided reports on a daily and quarterly basis which were reviewed by Heads of Dealing Teams and internal Best Execution Committees.

Our Fixed Income and Multi Asset Solutions business used our own internal data to provide oversight and challenge by the Head of the Dealing Team and internal Best Execution Committee.

With regards to Passive and Aggressive orders, all venues in this report operate as bi-lateral Reference Price crossing mechanisms, where the majority of transactions are executed at mid spread and both parties simultaneously provide and remove liquidity at the Reference Price.

Qualitative notes to the report (3)

Financial Asset Class	Notes
<ul style="list-style-type: none">▪ Equities Shares and Depositary Receipts - All Liquidity Bands	Equity related orders were predominantly executed via third party investment firms.
<ul style="list-style-type: none">▪ Securitised Derivatives - Warrants and Certificate Derivatives	Where appropriate client orders were routed to those MTF's on which we experience high quality, institutional-sized block liquidity.
<ul style="list-style-type: none">▪ Exchange Traded Products (exchange traded funds, exchange traded notes and exchange traded commodities)	While price was generally the most important factor, for less liquid securities (e.g. less developed markets) and those where our position represents a high proportion of issued equity (particularly in some Asian and Emerging markets), execution certainty, market impact reduction and speed of execution factored more significantly.
<ul style="list-style-type: none">▪ Equity Derivatives - Options and Futures admitted to trading on a trading venue	When selecting brokers, we first sought those advertising opposing order flow. In the absence of such a natural counterparty, we used market information and our trading experience to select a broker to execute for us on an agency basis.

Qualitative notes to the report (4)

Financial Asset Class	Notes
▪ Debt instruments – Bonds	When the orders were in liquid securities and of a market size and market characteristics were stable the orders were executed in competition to obtain cover pricing.
▪ Debt instruments – Money Market Instruments	In the case of larger orders these were more likely to be placed directly with third party investment firms who were able to either price the entire order or work into the market at a discretionary level.
▪ Structured Finance Instruments	While price was generally the most important factor, other factors such as market speed and order size may have been prioritised to provide the best outcome for the client.

Qualitative notes to the report (5)

Financial Asset Class	Notes
<ul style="list-style-type: none"><li data-bbox="147 479 841 551">▪ Interest Rate Derivatives - Swaps, Forwards, and other Interest Rate Derivatives<li data-bbox="147 594 841 622">▪ Credit Derivatives - Other Credit Derivatives<li data-bbox="147 665 841 736">▪ Currency Derivatives - Swaps, Forwards, and other Currency Derivatives<li data-bbox="147 779 841 851">▪ Currency Derivatives - Futures and Options admitted to trading on a trading venue	<p data-bbox="861 479 1852 551">Price was the primary consideration in all of our currency derivative execution and was executed via an RFQ.</p>

Qualitative notes to the report (6)

Financial Asset Class	Notes
<ul style="list-style-type: none"><li data-bbox="161 482 779 582">▪ Interest Rate Derivatives - Futures and Options admitted to trading on a trading venue	All of our trading was directed to a broker to execute on exchange, either “at market”, “at best” or at a pre-determined level with the broker (limit or stop).