



First State Investments

Annual Order Execution Report Year Ending 2017

April 2018

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 2017 together with information about the quality of execution obtained in line with Regulatory Technical Standard 28 and MiFID II rules and regulations.

All calculations are based on the trade currency converted back to sterling 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.

Equities Shares and Depositary Receipts – All Liquidity Bands

Execution Venues

Notification if <1 average Trade per business day in the previous year		No				
Top five execution venues ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Liquidnet Europe Limited	213800ZIRB79BE5XQM68	57.44%	55.89%	n/n	n/a	n/a
Bids Trading L.P. *	254900J9JVL76SF70898	22.63%	24.27%	n/a	n/a	n/a
Investment Technology Group Limited	213800EEC95PRUCEUP63	19.83%	19.76%	n/a	n/a	n/a
Luminex Trading & Analytics LLC	254900ZBK50B4Y36MJ33	0.09%	0.08%	n/a	n/a	n/a

* Includes trading by Cboe Europe Limited/BATS Europe

Brokers

Notification if <1 average Trade per business day in the previous year		No				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
UBS Limited	REYPIEJN7XZHSUI0N355	8.77%	10.68%	n/a	n/a	n/a
Macquarie Capital (Europe) Limited	549300GX4FPMFF91RJ37	8.69%	4.87%	n/a	n/a	n/a
Morgan Stanley & Co. International PLC	4PQUHN3JPFGFNF3BB653	8.30%	11.02%	n/a	n/a	n/a
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	7.46%	6.60%	n/a	n/a	n/a
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	6.44%	3.98%	n/a	n/a	n/a

Debt Instruments - Bonds

Execution Venues

Notification if <1 average Trade per business day in the previous year		No				
Top five execution venues ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Bloomberg Trading Facility Limited	549300ROEJDDAXM6LU05	62.64%	51.56%	n/a	n/a	n/a
MarketAxess Capital Limited	529900CTXON8S5AOCB70	37.36%	48.44%	n/a	n/a	n/a

Brokers

Notification if <1 average Trade per business day in the previous year		No				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	14.98%	11.75%	n/a	n/a	n/a
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	10.44%	9.21%	n/a	n/a	n/a
Jefferies International (Holdings) Limited	VF80D4YX82GPFLXLYG15	7.96%	9.38%	n/a	n/a	n/a
Barclays Bank PLC	G5GSEF7VJP517OUK5573	7.81%	7.91%	n/a	n/a	n/a
Merrill Lynch International	GGDZP1UYGU9STUHRDP48	6.80%	5.42%	n/a	n/a	n/a

Debt Instruments – Money Market Instruments

Execution Venues

Notification if <1 average Trade per business day in the previous year		Yes				
Top five execution venues ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Bloomberg Trading Facility Limited	549300ROEJDDAXM6LU05	100%	100%	n/a	n/a	n/a

Table above reflects low trading on small market sized trades where market characteristics are stable.

Brokers

Notification if <1 average Trade per business day in the previous year		Yes				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	73.59%	25.00%	n/a	n/a	n/a
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	22.29%	50.00%	n/a	n/a	n/a
The Toronto-Dominion Bank	PT3QB789TSUIDF371261	3.75%	20.83%	n/a	n/a	n/a
RBC Europe Limited	TXDSU46SXBWIGJ8G8E98	0.37%	4.17%	n/a	n/a	n/a

Interest Rate Derivatives - Futures and Options admitted to trading on a trading venue

Brokers

Notification if <1 average Trade per business day in the previous year		No				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Citigroup Global Markets Australia Pty Limited	D5FWQUJWZY07LV3DO749	76.14%	72.43%	n/a	n/a	n/a
J.P. Morgan Securities Australia Limited	549300Z0AVQF0QSFQV15	21.65%	22.93%	n/a	n/a	n/a
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	2.14%	4.48%	n/a	n/a	n/a
Deutsche Bank Aktiengesellschaft	7LTWFZYICNSX8D621K86	0.06%	0.08%	n/a	n/a	n/a
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	0.02%	0.08%	n/a	n/a	n/a

Venues - were not utilised for this financial asset class

Interest Rate Derivatives - Swaps, Forwards, and other Interest Rate Derivatives

Execution Venues

Notification if <1 average Trade per business day in the previous year		Yes				
Top five execution venues ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Bloomberg SEF LLC	5493003IUYOH354SNS58	100%	100%	n/a	n/a	n/a

Table above reflects low trading on small market sized trades where market characteristics are stable.

Brokers

Notification if <1 average Trade per business day in the previous year		Yes				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JPMorgan Chase Bank, National Association	7H6GLXDRUGQFU57RNE97	40.20%	26.61%	n/a	n/a	n/a
Australia and New Zealand Banking Group Limited	JHE42UYNWWTJB8YTTU19	23.92%	2.75%	n/a	n/a	n/a
BNP Paribas	R0MUWSFPU8MPRO8K5P83	12.39%	4.59%	n/a	n/a	n/a
Société Générale SA	O2RNE8IBXP4R0TD8PU41	6.89%	1.83%	n/a	n/a	n/a
Westpac Banking Corporation	EN5TNI6CI43VEPAMHL14	6.70%	5.50%	n/a	n/a	n/a

Credit Derivatives – Other Credit Derivatives

Execution Venues

Notification if <1 average Trade per business day in the previous year		Yes				
Top five execution venues ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Bloomberg SEF LLC	5493003IUYOH354SNS58	100%	100%	n/a	n/a	n/a

Table above reflects low trading on small market sized trades where market characteristics are stable.

Brokers

Notification if <1 average Trade per business day in the previous year		Yes				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JPMorgan Chase Bank, National Association	7H6GLXDRUGQFU57RNE97	96.61%	90.91%	n/a	n/a	n/a
Deutsche Bank Aktiengesellschaft	7LTWFZYICNSX8D621K86	3.39%	9.09%	n/a	n/a	n/a

Number of brokers above reflects low trading volumes.

Currency Derivatives - Futures and Options admitted to trading on a trading venue

Brokers

Notification if <1 average Trade per business day in the previous year	Yes				
Top five brokers ranked in terms of trading volumes	Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
J.P. Morgan Securities Australia Limited 549300Z0AVQF0QSFQV15	83.03%	88.89%	n/a	n/a	n/a
J.P. Morgan Securities PLC K6Q0W1PS1L1O4IQL9C32	16.97%	11.11%	n/a	n/a	n/a

Number of brokers above reflects low trading volumes.

Venues - were not utilised for this financial asset class

Currency Derivatives - Swaps, Forwards, and other Currency Derivatives

Execution Venues

Notification if <1 average Trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes	Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
FXALL* 549300SDDJE84DDJNB30	100%	100%	n/a	n/a	n/a

* Legal entity name - Reuters Transaction Services Limited.

We currently use FXALL for trading our OTC currency derivatives

Brokers - were not utilised for this financial asset class

Structured Finance Instruments

Brokers

Notification if <1 average Trade per business day in the previous year	Yes					
Top five brokers ranked in terms of trading volumes	Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders	
Goldman Sachs International W22LROWP2IHZNBB6K528	100%	100%	n/a	n/a	n/a	

Number of brokers above reflects low trading volumes.

Venues - were not utilised for this financial asset class

Equity Derivatives - Options and Futures admitted to trading on a trading venue

Brokers

Notification if <1 average Trade per business day in the previous year		No				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Citigroup Global Markets Limited	XKZZ2JZF41MRHTR1V493	94.77%	1.53%	n/a	n/a	n/a
J.P. Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	4.69%	85.11%	n/a	n/a	n/a
J.P. Morgan Securities Australia Limited	549300Z0AVQF0QSFQV15	0.54%	13.23%	n/a	n/a	n/a
Citigroup Global Markets Australia Pty Limited	D5FWQUJWZY07LV3DO749	0.00%	0.13%	n/a	n/a	n/a

Venues - were not utilised for this financial asset class

Securitized Derivatives - Warrants and Certificate Derivatives

Brokers

Notification if <1 average Trade per business day in the previous year		Yes				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CLSA (UK)	213800VZMAGVIU2IJA72	100%	100%	n/a	n/a	n/a

Sole broker above reflects low trading volumes.

Venues - were not utilised for this financial asset class

Exchange Traded Products (exchange traded funds, exchange traded notes and exchange traded commodities)

Brokers

Notification if <1 average Trade per business day in the previous year		Yes				
Top five brokers ranked in terms of trading volumes		Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley & Co. International PLC	4PQUHN3JPFQFNF3BB653	59.56%	9.09%	n/a	n/a	n/a
CLSA (UK)	213800VZMAGVIU2IJA72	27.75%	9.09%	n/a	n/a	n/a
Citigroup Global Market Limited	XKZZ2JZF41MRHTR1V493	12.65%	72.73%	n/a	n/a	n/a
RBC Europe Limited	TXDSU46SXBWIGJ8G8E98	0.04%	9.09%	n/a	n/a	n/a

Venues - were not utilised for this financial asset class

Other Instruments

Execution Venues

Notification if <1 average Trade per business day in the previous year	Yes				
Top five execution venues ranked in terms of trading volumes	Proportion of volume traded as a % of total in asset class	Proportion of orders executed as % of total in asset class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Citibank Europe Public Limited Company N1FBEDJ5J41VKZLO2475	100%	100%	n/a	n/a	n/a

Citibank Europe are the fund administrator for First State Funds plc

Brokers - were not utilised for this financial asset class

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.

There were no 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.

For equity trading we added BIDS to our venue list to provide an additional option and liquidity for our dealing desk. Post this addition, we also gained access to Bats LIS (Large in Scale), a block trading service for European equities, through BIDS' software. No other material changes were made to our venue and broker lists for any other financial asset type during 2017.

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.

Once it is made available, we may include information provided under RTS27 in our analysis and oversight of best execution. We have not used output from consolidated tape providers for the year to 31 December 2017.

Qualitative notes to the report (3)

Financial Asset Class	Notes
<ul style="list-style-type: none"> ▪ Equities Shares and Depositary Receipts - All Liquidity Bands ▪ Securitised Derivatives - Warrants and Certificate Derivatives ▪ Exchange Traded Products (exchange traded funds, exchange traded notes and exchange traded commodities) ▪ Equity Derivatives - Options and Futures admitted to trading on a trading venue 	<p>Equity related orders were predominantly executed via third party investment firms.</p> <p>Where appropriate client orders were routed to those MTF's on which we experience high quality, institutional-sized block liquidity.</p> <p>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.</p> <p>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.</p>

Qualitative notes to the report (4)

Financial Asset Class	Notes
<ul style="list-style-type: none"><li data-bbox="147 478 580 506">▪ Debt instruments – Bonds<li data-bbox="147 549 787 578">▪ Debt instruments – Money Market Funds<li data-bbox="147 621 652 649">▪ Structured Finance Instruments	<p data-bbox="859 478 1823 585">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.</p> <p data-bbox="859 628 1844 735">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.</p> <p data-bbox="859 778 1823 885">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.</p>

Qualitative notes to the report (5)

Financial Asset Class	Notes
<ul style="list-style-type: none"><li data-bbox="161 482 820 546">▪ Interest Rate Derivatives - Swaps, Forwards, and other Interest Rate Derivatives<li data-bbox="161 594 820 625">▪ Credit Derivatives - Other Credit Derivatives<li data-bbox="161 672 820 736">▪ Currency Derivatives - Swaps, Forwards, and other Currency Derivatives<li data-bbox="161 783 820 848">▪ Currency Derivatives - Futures and Options admitted to trading on a trading venue	<p data-bbox="855 482 1736 546">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="161 478 779 582">▪ 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).