

H2O AM - MiFID II RTS 28 Report

2018 - Report on the top five execution venues and the quality of execution obtained

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1. Introduction

The purpose of this Report is to present for year 2018:

- H2O's top five execution venues in terms of trading volumes where H2O's executes client orders only and;
- H2O's analysis on the detailed monitoring of the quality of execution obtained on the execution venues where clients' orders were executed.

2. Regulatory obligations

The Commission Delegated Regulation (EU) 2017/576 of 8 June 2016, completing Directive 2014/65/EU in financial instruments (MiFID II), displays the regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution (the “**RTS 28 Reports**”).

To enhance transparency and the investors' protection, H2o AM, as an investment firm executing client orders, is required to publish a summary on an annual basis, for each class of financial instruments presenting in the preceding year:

- The top five execution venues in terms of trading volumes where investment firms executed client orders and;
- Information on the quality of execution.

This report is issued in line with the regulatory standards and made available for at least two years and published on H2O's website in an electronic format.

3. Scope of the report

H2O AM is a management company that manages funds and mandates on behalf of a diversified clients. All H2O clients are classified as “professional” according to MiFID regulation.

At H2O, client orders are defined as orders executed for H2O's direct clients only– i.e when H2O provides Portfolio Management Service – which means that the data within this report are only related to orders executed for H2O's mandates.

H2O's services are only offered to professional clients who must be treated fairly and equally.

4. Analysis on the quality of execution obtained

4.1 Best execution factors

When executing decisions to deal, or when placing orders to deal, H2O AM must act in the best interests of clients. To achieve the best possible result, H2O has established best execution and best selection factors in its Best Execution Policy and Best Selection Policy. These two policies are available on H2O's website.

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H2O takes into account the following execution factors all financial instruments included:

- The price and explicit costs of executing the order
- The speed and likelihood of execution
- The likelihood of settlement
- The size of the order
- Any other consideration that we consider relevant at the time

H2O expects that price will normally be the predominant factor in obtaining the best possible result for Funds and Mandates. However, the relative importance of the above execution factors will be determined by:

- The objectives, investment policy and risks specific to the Fund, as indicated in the prospectus or the fund rules, Articles of Association of the Fund or offering documents
- The characteristics of the order – for example its size or particular instruction
- The characteristics of the financial instruments – which may include not only the type of instrument or asset class but its liquidity and other market characteristics
- The characteristics of the execution venues to which the order can be directed

H2O will also consider when choosing an executing counterparty, the explicit cost of a transaction measured against other venues which include:

- Commissions passed on by intermediaries
- Fees
- Taxes
- Exchange fees
- Clearing and settlement cost

4.2 Broker Selection Process

The quality of execution obtained from the brokers selected is reviewed by the Broker Committee, at least twice a year. No transaction can be undertaken for the portfolios under management outside the pre approved list of Brokers.

The list of Brokers is revised at least once a year and when needed if a compliance issue arises or if the Broker is no longer satisfying H2O's best execution factors..

Before being integrated into the selection process, all brokers are approved by H2O Risk & Compliance departments. In this regard, H2O uses a scoring process for each Broker based on various criteria implying compliance and risk checks.

4.3 Conflicts of Interests

H2O AM has implemented a Global Conflicts of Interest Policy (available on H2O AM's website) reminding that "Client First" is a core business principle of H2O AM and its Affiliates and including:

- A list of tips for identifying conflict

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- A non-exhaustive list of scenarios implying a potential risk of conflict of interests.

When executing decisions to deal, or when placing orders to deal, H2O AM can trade with Affiliates belonging to Natixis and BPCE Groups. However there are no close links, conflicts of interests, and common ownerships with respect to any execution venues used by H2O AM to execute orders.

H2O has no specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received

4.4 Use of any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575

H2O uses the data of its proprietary Order Management System to monitor the quality of execution and the volume of orders executed on each trading venue.

5. Top five execution venues per financial instrument

- a) 'Passive order' means an order entered into the order book that provided liquidity;
- (b) 'Aggressive order' means an order entered into the order book that took liquidity;
- (c) 'Directed order' means an order where a specific execution venue was specified by the client prior to the execution of the order.

None of these classifications are available at H2O systems. Futures listed derivatives and forex represent up to 90% of the total trades depending on portfolios, and are traded on electronic platforms provided by investment banks. Refer to [Best Execution policy](#) available on H2O Website.

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Class of Instrument	Fx Forward, Fx Hedged Swap, Fx Hedging Forward				
Notification if <1 average trade per business day in the previous year	YES				
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 4PQUHN3JPFGFNF3BB653	17.21%	19.76%	N.C	N.C	N.C
GOLDMAN SACHS INTERNATIONAL W22LROWP2IHZNBB6K528	14.25%	14.46%	N.C	N.C	N.C
Societe generale O2RNE8IBXP4RoTD8PU41	13.86%	9.93%	N.C	N.C	N.C
BNP PARIBAS SA RoMUWSFPU8MPRO8K5P83	13.65%	19.98%	N.C	N.C	N.C
CACIB 1VUV7VQFKUOQSJ21A208	12.45%	7.05%	N.C	N.C	N.C

Class of Instrument	Futures & Futures Option				
Notification if <1 average trade per business day in the previous year	YES				
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

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GFI GUNTJCA81C7IHNBL392	24.24%	8.51%	N.C	N.C	N.C
JP Morgan K6QoW1PS1L1O4IQL9C32	13.52%	18.49%	N.C	N.C	N.C
BNP PARIBAS SA RoMUWSFPU8MPRO8K5P83	13.24%	6.55%	N.C	N.C	N.C
Barclays K9WDOH4D2PYBSLSOB484	10.12%	37.80%	N.C	N.C	N.C
Societe Generale O2RNE8IBXP4RoTD8PU41	5.02%	5.85%	N.C	N.C	N.C

Class of Instrument	Bonds				
Notification if <1 average trade per business day in the previous year	YES				
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
GOLDMAN SACHS W22LROWP2IHZNBB6K528	13.80%	11.31%	N.C	N.C	N.C
CACIB 1VUV7VQFKUOQSJ21A208	13.70%	8.70%	N.C	N.C	N.C
CITI XKZZ2JZF41MRHTR1V493	12.31%	10.90%	N.C	N.C	N.C
BNP PARIBAS SA RoMUWSFPU8MPRO8K5P83	11.20%	7.00%	N.C	N.C	N.C
JP Morgan K6QoW1PS1L1O4IQL9C32	7.18%	7.45%	N.C	N.C	N.C

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Class of Instrument	Equities				
Notification if <1 average trade per business day in the previous year	YES				
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 4PQUHN3JPFGFNF3BB653	47.12%	38.16%	N.C	N.C	N.C
Louis Capital 213800KL2QZT2GQMQQ34	36.67%	44.62%	N.C	N.C	N.C
Societe Generale O2RNE8IBXP4RoTD8PU41	6.00%	10.57%	N.C	N.C	N.C
Vantage Capital Markets LLP 213800PENPQGFLMQ1704	4.69%	1.96%	N.C	N.C	N.C
GOLDMAN SACHS W22LROWP2IHZNBB6K528	3.11%	2.74%	N.C	N.C	N.C

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