

Order Execution Report 2018

1. Introduction

This report is prepared in accordance with the terms of Article 27.6 of Directive 2014/65/EU (MiFID II) and associated regulatory technical standards.

2. Order Execution Policy - Explanation of the relative importance given to execution factors

2.1 General factors

Alder Capital will take all sufficient steps to obtain the best result possible for its clients, taking into account the following factors: Price, speed, size, nature, likelihood of execution, likelihood of settlement, costs, the impact on market prices of displaying and placing orders for execution and any other consideration relevant to the execution of the order. Alder Capital will determine the relative importance of the factors by reference to the following criteria:

- (a) the characteristics of the order; the majority of orders are market orders for execution within a limited time frame to take advantage of available liquidity;
- (b) the characteristics of financial instruments and currency pairs that are the subject of that order;
- (c) the characteristics of the execution venues to which that order can be directed.

Factors specific to particular financial instruments are as follows:

2.2 Spot and Forward Foreign Exchange

An off-exchange (OTC) forward foreign currency contract is priced using two underlying components or instruments: (i) a spot foreign currency rate; and (ii) the interest rate differential between the relevant two currency pairs for the term of the OTC forward foreign currency contract (the “forward points”). The spot foreign currency rate component of an OTC forward foreign currency contract exhibits substantially more volatility than the interest rate differential component when the OTC forward contract is for periods of less than three months.

2.3 Spot Foreign Exchange

Alder Capital uses three methods of execution for spot trades: (i) single-bank, electronic execution platforms (“FIXMIX”); (ii) a multi-contributor, electronic communication networks (“ECNs”), and (iii) telephone. The two main factors that affect the choice of type of execution venue are: (i) the trader’s judgement as to the prevailing market conditions for a currency pair relative to the trade that Alder Capital wishes to place in the market at that point in time; and (ii) the currency pair being executed.

The FIXMIX aggregator allows the firm to place a trading instruction with the most competitive of a number of single bank electronic execution venues with a very high probability of being executed but involves paying the bid-offer spread in the currency pair in question. By contrast, the ECN potentially allows the firm to avoid paying the bid-offer spread in the currency pair in question but does not guarantee execution at the selected spot rate input to the ECN. The firm also executes transactions by telephone from time to time to take advantage of special execution opportunities, when the liquidity



available on FIXMIX or ECN is reduced or where the track record of the telephone execution venue is good in the particular market conditions, currency pair, size of order or where the execution venue has a track record of executing the order at competitive prices in a volatile market.

Alder Capital will take all sufficient steps to obtain the best result possible for its clients, as listed above.

Alder Capital will generally give the highest relative importance to price. When two or more execution venues offer the best price, Alder will prioritise the likelihood of execution, based on the age of the venue's price (measured in milliseconds) and the venue's transaction rejection history. If, in Alder Capital's view, there is insufficient liquidity immediately available in the market, Alder Capital may prioritise other factors such as the perceived risk of delayed execution at the time of trading. The use of ECNs involves payment of a fixed charge per million USD executed but this is generally relatively small compared to the size of the bid-offer spread saving which ECNs offer in appropriate order and market conditions.

2.4 Forward Foreign Exchange

Alder Capital's prime brokers intermediate the placing of orders arising from Alder Capital's decision to deal by providing the credit and execution facilities through which orders may be placed with the execution venues.

Once the spot foreign currency transactions have been executed between the Prime Broker and the relevant execution venue, they are 'given-up' to the Prime Broker. Alder Capital subsequently places orders for the OTC forward foreign currency transactions to 'push' the spot transactions out to the required forward dates. The spot foreign currency transactions are 'pushed' out to the required forward dates by adding or subtracting the forward points to the spot rate.

Alder compares the forward points calculated by the Prime Broker to market rates from an independent source to ensure that these are sufficiently in line with market rates.

2.5 Index Futures

In 2018, the only futures traded by Alder Capital were EUROSTOXX 50 Index Futures, traded as part of its CALM Eurozone Equity Strategy. All transactions are executed under the rules and best terms of Eurex, an organized investment exchange.

2.6 Government-issued securities

UCITS funds managed by Alder Capital may hold high-quality government-issued securities as an alternative to cash deposits. Bonds are bought (and sold) over the telephone with a regulated Broker, and the quoted price is compared with an independent source before confirming the transaction. Whilst the intention is to hold bonds to maturity, bonds with ample liquidity are selected so they may be sold, if required.

3 Close links, conflicts of interest and common ownerships with execution venues

Société Générale, an execution venue for spot foreign exchange, is a connected party of Société Générale – Dublin Branch, which is the Depositary of Diversification Strategy Fund plc, a UCITS Investment Company which has appointed Alder Capital as its Investment Manager and Promoter.

As explained above, Alder selects spot fx execution venues on the basis of the best rates available in the FIXMIX Aggregator, the ECN or over the phone.

All transactions in the EUROSTOXX 50 Futures are conducted with Société Générale International Limited, which is a connected party of the Depositary of Diversification Strategy Fund plc. All transactions are executed at the price set by Eurex (via the Fidessa trading platform), the only organized investment exchange where the EUROSTOXX 50 Future trades.

4 Specific arrangements with execution venues regarding payments, discounts, rebates or non-monetary benefits

Alder Capital's agreement with an ECN venue includes a fixed monthly charge for use of the platform, if turnover in a month is below a certain threshold. However, this fee is not material and has no bearing on Alder's selection of execution venue. Where applicable, other broker and exchange fees are charged in accordance with standard contractual terms per transaction or per \$ traded basis.

Alder Capital does not have any agreements concerning discounts, rebates or non-monetary benefits with execution venues. Alder Capital does not enter into any agreements with execution venues to guarantee minimum transaction volumes or any other preferential treatment. Alder Capital does not obtain tailored or exclusive research from execution venues, although it may receive material which is made widely available at no charge by the execution venues.

5 Explanation of factors leading to changes in execution venues

During the period, Barclays ceased quoting for business as a Spot FX execution venue of Alder Capital.

Cantor Fitzgerald became a venue for government securities.

6 Explanation of how order execution differs according to client categorization

Alder Capital categorises all its clients as Professional Clients, and therefore execution does not differ according to client categorization. However, a client may instruct Alder Capital to transmit all orders that result from decisions to deal in financial instruments on behalf of that client to a single execution venue.

7 Data and tools used for measuring quality of execution

Alder Capital has not used the output of a consolidated tape provider. Alder Capital monitors slippage on a monthly basis and reports to the Board on actual slippage in comparison to set limits.



8 Order Execution Statistics

Note: Spot Foreign Exchange is not a “Financial Instrument” defined under MiFID II and is not subject to the reporting requirement of Article 27.6. To avoid revealing commercially sensitive information, the names of the execution venues are omitted.

Class of Instrument	Spot Foreign Exchange				
Notification if <1 average trade per business day in the previous year	No				
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
HSBC	12.1%	12.1%	n/a	12.1%	n/a
Société Générale	11.0%	11.0%	n/a	11.0%	n/a
BNP Paribas	9.5%	9.5%	n/a	9.5%	n/a
Citibank	8.8%	8.8%	n/a	8.8%	n/a
UBS	8.7%	8.7%	n/a	8.7%	n/a

Class of Instrument	Forward Foreign Exchange				
Notification if <1 average trade per business day in the previous year	No				
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
Bank of America EYKN6V0ZCB8VD9IULB80	39%	40%	n/a	40%	n/a
NatWest Markets plc RR3QWICWWIPCS8A4S074	61%	60%	n/a	60%	n/a



Class of Instrument	Index Futures				
Notification if <1 average trade per business day in the previous year	No				
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
Société Générale International Limited OIKLU6X1B10WK7X42C15	100%	100%	n/a	100%	n/a

Class of Instrument	Government 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
J&E Davy 63540061DPCBNMCGRY22	69%	80%	n/a	100%	n/a
Cantor Fitzgerald 635400N5XVNTLTWTUK34	31%	20%	n/a	100%	n/a