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This Execution Report outlines the execution service that Park Vale Capital Limited (“**Park Vale**” or “**the Firm**”) provides to its Professional Clients. It is published in accordance with the amended rules of the UK Financial Conduct Authority which implement the Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 (“**RTS 28**”) which in turn supplements the Markets in Financial Instruments Directive 2014/65/EU and Markets in Financial Instruments Regulation (EU) 600/3014 (together “**MiFID II**”). The purpose of this Execution Report is to provide information about how Park Vale executes orders in the relevant Financial Instruments to achieve the best possible result for its clients.

This Execution Report is tailored to Park Vale’s Professional Clients. Park Vale does not have any Retail Clients.

In accordance with the guidance issued by the European Securities and Markets Authority in March 2018, this Execution Report is based on the trading carried out during the calendar period between January and December 2017. However, Park Vale added a new investment strategy in January 2018 when it commenced trading within the Global Energy market. Therefore, in order to provide a clear overview of Park Vale’s execution practice, this Execution Report includes references to trades placed in Commodities Derivatives, even though trading in this particular asset class only started in Q1 of 2018.

Please note that any capitalised term not expressly defined herein is with reference to the terms as defined in MiFID II.

Overarching Principles

In 2017, Park Vale placed orders in the following Financial Instruments:

- Debt Instruments, and more specifically Bonds,
- Interest Rates Derivatives, specifically Futures and Options admitted to trading on a trading venue,
- Credit Derivatives, specifically Credit Default Swaps,
- Equity Derivatives, specifically Options admitted to trading on a trading venue,
- Contracts for Difference, and

In 2018, the Firm also commenced trading in Commodities Derivatives, specifically Options and Futures admitted to trading on a trading venue and Emission Allowances.

Park Vale is required to take all sufficient steps to obtain the best possible result for its Professional Clients. There are many ways to deliver the best possible outcome across a range of factors. Save for Commodities Derivatives, the Firm places orders to the market by transmitting the orders to a counterparty for it to execute them. Regarding Commodities Derivatives and Emissions Allowances, Park Vale executes the trades directly on the trading venue, namely ICE Futures Europe or European Energy Exchange AG.

Park Vale only uses execution venues which have been assessed and approved as compliant with the rules and regulations and the Firm’s Order and Best Execution Policy. Execution venues are due to publish their first reports pursuant to the Commission Delegated Regulation (EU) 2017/575) of 8 June 2016 supplementing MiFID II (“**RTS 27**”) in June 2018. Park Vale will review these reports and continue to evaluate the quality of execution of these venues and counterparties as applicable.

QUANTITATIVE REPORT

In accordance with RTS 28, this Execution Report outlines the top five execution venues used by asset class. Please note that trading in certain Financial Instruments is limited due to the relevant investment strategy. This means that for certain assets classes, less than five execution venues were used to place the trades. This is reflected in the relevant tables below whereby less than five execution venues have been listed. Figures are expressed in percentages which have been rounded up to two decimal points and the foreign exchange rates applied for the purpose of this analysis are as at 25 April 2018.

Class of Instrument		Debt Instruments - Bonds			
Notification of < 1 average trade per business day in the previous year			Y		
Top 5 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
Barclays Bank PLC (G5GSEF7VJP5I7OUK5573)	18.36%	15.54%	95%	5%	Nil
JP Morgan Securities PLC (K6Q0W1PS1L1O4IQL9C32)	17.38%	21.62%	95%	5%	Nil
Jefferies International Limited (S5THZMDUJCTQZBTRVI98)	14.11%	11.49%	95%	5%	Nil
Deutsche Bank (7LTFWZYICNSX8D621K86)	7.76%	7.43%	95%	5%	Nil
Citigroup Global Markets Ltd (XKZZ2JZF41MRHTR1V493)	7.60%	8.12%	95%	5%	Nil
Class of Instrument		Equity derivatives - Options admitted to trading on a trading venue			
Notification of < 1 average trade per business day in the previous year			Y		
Top 5 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 & Co. International PLC (4PQUHN3JPF GFNF3BB653)	66.67%	70%	95%	5%	Nil
UBS AG (BFM8T61CT2L1QCCEMIK50)	33.33%	30%	95%	5%	Nil
Class of Instrument		Interest Rates Derivatives - Futures admitted to trading on a trading venue			
Notification of < 1 average trade per business day in the previous year			Y		
Top 5 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 & Co. International PLC (4PQUHN3JPF GFNF3BB653)	100%	100%	100%	-	Nil

Class of Instrument		Contracts for Difference			
Notification of < 1 average trade per business day in the previous year			Y		
Top 5 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 & Co. Intl PLC (4PQUHN3JPFQFN3BB653)	98.94%	77.78%	95%	5%	Nil
Investec Bank PLC (84SOVF8TSMH0T6D4K848)	1.06%	22.22%	95%	5%	Nil
Class of Instrument		Credit Derivatives - Credit Default Swaps			
Notification of < 1 average trade per business day in the previous year			Y		
Top 5 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
JP Morgan Securities PLC (K6Q0W1PS1L1O4IQL9C32)	78.16%	66.67%	95%	5%	Nil
Citigroup Global Markets Limited (XKZZ2JZF41MRHTR1V493)	12.02%	16.67%	95%	5%	Nil
Barclays Bank PLC (G5GSEF7VJP5I7OUK5573)	9.86%	16.67%	95%	5%	Nil
Class of Instrument		Commodities Derivatives - Options and Futures admitted to trading on a trading venue			
Notification of < 1 average trade per business day in the previous year			Y		
Top 5 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
ICE Futures Europe (IFEU)	100%	100%	50%	50%	Nil
European Energy Exchange AG (EEX)	-	-	-	-	-
Class of Instrument		Commodities Derivatives - Emissions Allowances Derivatives			
Notification of < 1 average trade per business day in the previous year			Y		
Top 5 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
ICE Futures Europe (IFEU)	100%	100%	50%	50%	Nil
European Energy Exchange AG (EEX)	-	-	-	-	-

PARK VALE’S ASSESSMENT OVER THE QUALITY OF EXECUTION

In accordance with Park Vale’s Order and Best Execution Policy, certain factors take priority over others when selecting the execution venue and/or counterparty before placing a trade. The table below indicates which factors were relied on the most for each asset class.

Class of Financial Instruments as defined in Annex I of RTS 28	Execution order factors relied on for each asset class			
	1 - Most Important Factor	2	3	4 - Least Important Factor
Debt Instruments				
Bonds	Price	Size	Speed	Likelihood of Execution
Interest Rates Derivatives				
Futures admitted to trading on a trading venue	Speed	Size	Price	Likelihood of Execution
Other Credit Derivatives				
Credit Default Swaps	Price	Size	Speed	Likelihood of Execution
Equity Derivatives				
Options and Futures admitted to trading on a trading venue	Price	Size	Speed	Likelihood of Execution
Commodities Derivatives and Emissions Allowances Derivatives				
Options and Futures admitted to trading on a trading venue	Price	Size	Cost	Likelihood of Execution
Emissions Allowances Derivatives	Price	Size	Cost	Likelihood of Execution
Other Instruments				
Contracts for Difference	Price	Size	Speed	Likelihood of Execution

RTS 28, Article 3.3(a) *“an explanation of the relative importance the firm gave to the execution facts of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution”*:

Park Vale acts as the sub-investment manager to a UCITS fund and to a separate managed account. The Firm does not act for any Retail Clients. All of its orders are executed or placed on behalf of Professional Clients, in some cases in addition to the applicable Investment Manager of the fund which separately and in parallel places and executes its own orders on behalf of the same fund. This has a direct bearing on the factors used to achieve best execution. As the table above shows, several factors are taken into account when executing an order. However, price remains the most important criterion in most cases. Cost including commission-based trades are negligible. In most of the Financial Instruments listed above, any form of commission is integrated within the trade price. There is therefore very little consideration placed on cost when comparing counterparties. Costs in Commodities and Emissions Allowances trading are separate. They are consequently cross-referred in accordance with the Firm’s Order and Best Execution Policy, amongst the other factors weighed in prior to a trade.

Since Park Vale places such importance on price, it ensures its fairness by gathering and analysing market data, especially in relation to OTC products such as Bonds. Park Vale has set up a separate research payment account (“RPA”) with Goldman Sachs International, J.P. Morgan Securities plc, Barclays Capital Securities Limited and

Barclays Bank PLC. The use of an RPA grants access to research material which forms part of the market analysis undertaken as part of the review prior to trade execution. The budget under the RPA is not set to have a material impact on the performance of the relevant fund. In addition to market research and trend analysis, the Firm approaches the counterparties of interest and compares prices. Due to the nature of the asset classes traded, market prices reach an adequate level of transparency which enables such assessment.

Notwithstanding that Park Vale trades in the Financial Instruments set out in the tables above, its trading pool is mostly concentrated on Debt Instruments and more specifically, Bonds. Although, this Execution Report sets out the top five brokers, trades in Bonds are placed across a total of 15 different counterparties. The trade concentration is therefore spread out across different platforms. Even the top execution venue, here Barclays Bank PLC, was allocated less than 20% of the total trades placed by the Firm in Bonds in 2017. The nature of the relevant fund also has a direct bearing on the trades under consideration prior to execution. A UCITS fund has stringent thresholds to comply with. Any order is therefore considered against the investment restrictions prior to placing it with a broker to ensure the portfolio never exceeds any regulatory limits. Especially in Bonds, Park Vale considers whether a Bond has a short or long maturity period, whether any previously issued securities were similarly priced. The industry sector of an issuer also plays a factor in the assessment, not only from a market assessment perspective of an individual trade, but also in respect of compliance to the regulatory thresholds. Long and short investments are selected by combining the disciplines of macro-economic analysis, fundamental company analysis and market trading. As mentioned earlier, these also take into account the issuer, sector and market cycle. Performance also forms part of the market analysis which is assessed against the following benchmarks: BAML European Currency High Yield Constrained Index, HFRX Fixed Income Credit Index and MSCI Pan-Euro Index. In accordance with its Order and Best Execution Policy, the Firm actively varies its asset and country allocations to reflect market conditions and any potential opportunities considered at the time.

In respect of fixed income and other derivatives (save for Commodities and Emission Allowance Derivatives), the Firm tracks announcements on Bloomberg's terminals which list the securities offerings.

The passive versus aggressive determination in respect of Park Vale trades carried out in 2017 is not realistically applicable due to the nature of the trading in that period. In 2017, Park Vale would place a trade on behalf of the fund with a counterparty which would in turn execute it on behalf of Park Vale. Most of the placements were carried out in a passive fashion (thus the 95% vs 5% denominations). However, since January 2018, Park Vale also executes trades directly on venue (e.g. ICE Futures Europe, Bloomberg's MTF, etc.). In that respect, the trend remains similar in respect of most Financial Instruments listed above, save for Commodities and Emission Allowances whereby orders tend to be passive when initiating the trades, and aggressive when closing a trade. This trading practice enables to generate a better price target.

RTS 28, Article 3.3 “(b) a description of any close links, conflicts of interest and common ownerships with respect to any execution venues used to execute orders” and (c) “a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received”:

Save for the brokering and RPA arrangements in place which terms were commercially negotiated, Park Vale does not have any links with any of the approved counterparties to avoid potential conflicts of interest. Any minor non-monetary benefits received by Park Vale, such as short market updates with limited opinion or invitation to conferences and other events, are received by counterparties through which trading is limited to less than 2% of the overall trading in any given asset class. Other research material is received under the RPA agreements referred above.

RTS 28, Article 3.3(d) “an 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”:

In 2017, Park Vale had a list of 16 approved counterparties within its Order and Best Execution Policy. In 2018, this list was extended to 24 approved counterparties and two trading venues. These execution venues are subject to ongoing monitoring, which will include RTS 27 as of June 2018.

As of January 2018, Park Vale limited its pool of approved counterparties to those which registered as Systematic Internalisers. Since the coming into force of MiFID II, order flows are directed to either Systematic Internalisers, Bloomberg's Multilateral Trading Facility and/or Trading Venues (such as the ICE Futures Europe). A more comprehensive assessment on the impact of this change will be carried out throughout 2018 and the conclusion will be published in the next Execution Report for the year 2018.

In respect of the trading venues of choice on which Park Vale executes Commodities and Emission Allowances orders directly, the Firm transacts predominantly on the Intercontinental Exchange (ICE Future Europe). This venue was selected because there is a high level of concentration in liquidity for the markets in the targeted product universe which enables best execution, effective risk management and cross-margining between products.

RTS 28, Article 3.3 (e) “an 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” and (f) “an 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”:

Park Vale provides services to Professional Clients only.

RTS 28, Article 3.3(g) “an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575”:

Delegated Regulation (EU) 2017/575 is referred to as RST 27 in this Execution Report. Data pursuant to RTS 27 is due to be published by 30 June 2018. Park Vale intends to use the information published under RTS 27 as part of its ongoing monitoring on the quality of execution of the various venues. A summary on this will be incorporated accordingly in Park Vale’s Execution Report for 2018.

RST 28, Article 3.3(h) “where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU”:

Not applicable to Park Vale.

Disclaimer

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