

Annual qualitative disclosure on the quality of execution obtained

Firm name: AKO CAPITAL LLP

Disclosure Period: 01/01/2020 to 31/12/2020

This disclosure is being made pursuant to Article 3(3) of RTS 28 and/or Article 65(6) of the MiFID II Delegated Organisational Regulation, which require firms to disclose, for each class of financial instruments traded for clients during the period, a summary of the analysis and conclusions drawn from the execution quality monitoring that the Firm has undertaken.

Unless noted to the contrary, this disclosure is made in relation to our MiFID top-up business only under Article 6(4) of the AIFMD.

This disclosure covers the following classes of financial instruments that were traded during the period-

- Equities
- Equity derivatives (including both index options and swaps)
- Debt instruments (bonds)
- Currency derivatives (FX forwards)

As an equity long/short fund manager, the primary instruments traded are equity and equity swaps. Listed index options, highly rated government fixed income instruments and currency forwards are also traded.

We place orders for all equity and equity derivative trades with brokers (indirect execution) and in the main utilise Direct Market Access where we rely on the brokers' algorithms to manage the order.

Listed index options are traded via brokers.

Government fixed income securities and currency forward trades are conducted Over The Counter ("OTC") where we face the counterparty directly on the other side of the trade (direct execution).

As such, for the investment instruments we trade, in all cases the disclosed "execution venue" is the broker.

A best execution review meeting is held on a quarterly basis to ensure we comply with our best execution policy. It is attended by senior investment, trading and compliance personnel who review the management information available and discuss any concerns or issues.

For the year 2020 we believe we have adhered to our best execution policy.

Classes of Financial Instrument traded during the period	Comments
(a) Equities – Shares & Depository Receipts	
(b) Debt instruments	
(i) Bonds	Entirely made up of government fixed income securities trading for the purpose of efficient cash management.
(e) currency derivatives	
(ii) Swaps, forwards, and other currency derivatives	Entirely made up of FX forwards for currency hedging purposes.
(g) Equity Derivatives	
(i) Options and Futures admitted to trading on a trading venue	Listed index options for risk management purposes.
(ii) Swaps and other equity derivatives	EEA swaps traded with multiple brokers and given up to appropriate ISDA Counterparty. Non-EEA swaps traded with ISDA Counterparty holding the position.

The tables below cover AKO Capital’s analysis for each of the relevant classes of financial instruments:

1) Class of Financial Instrument: Equities & Equity Derivatives

RTS 28 / Art. 65(6) requirement:	Details:
<p>(a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;</p>	<p>In terms of the relative importance attached to the execution factors, the Firm has a general view and process which it then adapts and amends as necessary, based on the particular characteristics (i.e. the execution criteria) of each trade.</p> <p>In relation to professional clients, the first execution factor to consider is the likelihood of execution and settlement. The priority here will be to assess which brokers / execution venues are capable of executing the order on our required terms considering its size and nature. This is a relatively straightforward exercise that produces a range of equally ranked execution options for further consideration under the remaining execution factors.</p> <p>When trading cash equities and equity swaps the default choice for AKO Traders is to use one of the Firm's low-cost algorithmic trading counterparties unless there are good reasons for allocating all or part of a trade to a cash desk or a higher cost algorithmic trading counterparty.</p> <p>Whilst cost is a primary consideration, access to liquidity and likelihood of execution are also important factors. Thus, when deciding who to route an order to for execution the AKO Trader will consider such factors as;</p> <ul style="list-style-type: none"> • Trade Advertisements – These advertisements are usually disseminated via Bloomberg's IOI (Indications of Interest page); • Execution Ranking – Bloomberg ranks the trade history across all venues for single equities. This function is useful in finding out which brokers dominate trading in particular stocks; • Broker Flow – Brokers often advertise flow via email, Bloomberg IB or phone calls; and • Historic Trading – AKO Traders will also refer back to previous trades in particular stocks in order to aid the choice of execution counterparty. <p>The AKO Traders may decide that, for a particular trade, one or more of these factors has a greater importance for best-execution than commission cost, and so, on occasion, trades may be executed using a cash desk or higher cost algorithmic trading counterparty.</p>

	<p>It is AKO policy to keep a record of the reason for every such trade that is executed away from one of the firm's low-cost trading counterparties.</p> <p>In respect of non-EEA equity derivatives (swaps) we consider it prudent both commercially and to manage credit risk to hold these assets across multiple ISDA Counterparties. In general we execute such trades with a single broker, which is the relevant ISDA Counterparty, because we are not permitted to trade with another broker (e.g. US swap rules) or because trading with a different broker that is not the relevant ISDA Counterparty adds operational complexity and risk.</p> <p>In respect of the options instruments, we typically purchase listed index options. This market is highly liquid with live pricing and as such we do not consider it sensible to request competing quotes but rather, we select a Counterparty from our list to trade with.</p> <p>On an ongoing basis we undertake Transaction Cost Analysis ("TCA") on a firm-wide basis across all funds we manage and all orders. This post trade analysis seeks to assess the implicit costs of our trading, such as slippage and market impact to further improve our assessment of which brokers / execution venues to trade with.</p> <p>Where we consider we are able to take steps to reduce the implicit costs of execution, and therefore improve the total consideration for the trade as defined above, then we will do so. Examples of this would include reducing the market impact, which might be achieved by splitting the trade between multiple brokers / execution venues, trading over a longer time period or using broker algorithms where we can directly manage the participation rate.</p> <p>The final execution factor, speed, is not considered a relevant factor generally for AKO as we are long-term holders of equities and are therefore not usually interested in speed of execution, although on occasion where there are specific relevant circumstances this factor may be escalated in prioritisation.</p>
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<p>(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues/brokers used to execute orders;</p>	<p>The Firm does not have any close links, common ownership or other relationships that would give rise to any conflicts of interests with any of the execution venues or brokers used.</p>
<p>(c) a description of any specific arrangements with any execution venues/brokers regarding payments made or received, discounts, rebates or non-monetary benefits received;</p>	<p>The Firm has no specific arrangements to report with any brokers regarding payments made or received, discounts, rebates or non-monetary benefits received.</p> <p>However, the Firm does have broader relationships than just an executing broker relationship with certain of the brokers listed on the RTS 28 Equity and Equity Derivatives reports. Morgan Stanley, Credit Suisse, Societe Generale and Goldman Sachs are all ISDA Counterparties for the Fund.</p> <p>The Firm also pays, from its own resources, for research from, among others, Morgan Stanley, Goldman Sachs, Credit Suisse and JP Morgan.</p>
<p>(d) an explanation of the factors that led to a change in the list of execution venues/brokers listed in the firm's execution policy, if such a change occurred;</p>	<p>AKO did not add to its list of execution venues / brokers during 2020.</p> <p>Execution venue / broker removals (temporary) during 2020 were typically as a result of settlement and operational issues and execution capability.</p>
<p>(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;</p>	<p>This is not applicable as the Firm only deals with Professional Clients.</p>
<p>(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;</p>	<p>This is not applicable as the Firm does not deal with Retail Clients.</p>

<p>(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 [RTS 27];</p>	<p>The Firm uses independent third-party Transaction Cost Analysis tools and providers to assist in its analysis of execution quality obtained.</p> <p>Our Risk and Reporting Officer is responsible for managing our Transaction Cost Analysis programme.</p> <p>We receive a monthly report on all trades and each individual fill executed. This report compares our trading performance to a number of key metrics including implied shortfall versus arrival price, interval VWAP and participation rates.</p> <p>Our Traders utilise live data in Bloomberg EMSX to monitor potential flow and liquidity.</p> <p>The Firm did not use RTS 27 reports or RTS 28 reports produced by execution venues or brokers during the period under review (2020) as these were not considered useful in our analysis.</p>
<p>(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.</p>	<p>The Firm has not used the output of any Consolidated Tape Providers in its execution quality analysis.</p>
<p>Disclosures around the use of Direct Electronic Access (“DEA”) providers.</p>	<p>Our top 5 brokers are all DEA providers.</p> <p>As noted above, the default choice for AKO Traders is to use one of the Firm’s low-cost algorithmic trading counterparties unless there are good reasons for allocating all or part of a trade to a cash desk or a higher cost algorithmic trading counterparty.</p> <p>Across the entire Firm’s trading for 2020 the majority of all orders went via DEA brokers.</p>

Summary of Analysis	The TCA report is reviewed by the Firm’s Portfolio Managers, Senior Trader and Risk and Reporting Officer to investigate any outlying data. The Risk and Reporting Officer is responsible for notifying the Managing Board of any material deviation where there is a concern over the execution quality of any of our trades.
Summary of Conclusions	<p>The majority of equity and equity swap trades continue to be undertaken at low cost execution commission rates via brokers using DMA algorithms and programme trading desks.</p> <p>However, as liquidity and execution completion risks remained prominent during 2020 there remains an increase in use of broker “desks”, albeit we are satisfied that it was in the best interests of the Funds to trade in these limited circumstances at higher commission rates.</p> <p>The Firm believes that its execution policy was adhered to over the period, and that following this policy has delivered best execution for its clients over the period. This analysis will feed into the Firm’s annual review of its execution policy at which time further enhancements will be considered.</p>

2) Class of Financial Instrument: Government Fixed Income Instruments

RTS 28 / Art. 65(6) requirement:	Details:
(a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;	<p>In terms of the relative importance attached to the execution factors, the Firm has a general view and process which it then adapts and amends as necessary, based on the particular characteristics (i.e. the execution criteria) of each trade.</p> <p>In relation to professional clients, the first execution factor to consider is the likelihood of execution and settlement. The priority here will be to assess which brokers / execution venues are capable of executing the order on our required terms considering its size and nature. This is a relatively straightforward exercise that produces a range of equally ranked execution options for further consideration under the remaining execution factors.</p>

	<p>In respect of debt instruments, we trade US T-bills for cash management purposes to efficiently manage the unencumbered cash of the relevant Funds. We consider it prudent credit risk management to hold any unencumbered cash away from the ISDA Counterparties. As such, unencumbered cash is held at the Funds' depository / custodian, Bank of New York Mellon ("BNYM").</p> <p>As a major US financial institution, BNYM participates daily in the auction of US treasuries and as such, as principal, has on its books all the short-dated T-bills we would want to trade for the relevant AKO Funds.</p> <p>The rationale for trading T-Bills directly with BNYM is that it is operationally more efficient for the relevant AKO Funds as the cash is already held with BNYM, settlement risk is reduced and costs are reduced as there are no additional third party costs to pay.</p>
<p>(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues/brokers used to execute orders;</p>	<p>The Firm does not have any close links, common ownership or other relationships that would give rise to any conflicts of interests with BNYM.</p>
<p>(c) a description of any specific arrangements with any execution venues/brokers regarding payments made or received, discounts, rebates or non-monetary benefits received;</p>	<p>The Firm has no specific arrangements to report with BNYM regarding payments made or received, discounts, rebates or non-monetary benefits received.</p> <p>However, as noted above, BNYM acts as Depository / custodian to the relevant AKO Funds.</p>
<p>(d) an explanation of the factors that led to a change in the list of execution venues/brokers listed in the firm's execution policy, if such a change occurred;</p>	<p>The Firm's policy with respect to trading T-bills did not change during the period.</p>
<p>(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;</p>	<p>This is not applicable as the Firm only deals with Professional Clients.</p>

<p>(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;</p>	<p>This is not applicable as the Firm does not deal with Retail Clients.</p>
<p>(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 [RTS 27];</p>	<p>The Firm did not use RTS 27 reports or RTS 28 reports produced by execution venues or brokers during the period under review (2020), as these were not considered relevant to our policy.</p>
<p>(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.</p>	<p>The Firm has not used the output of any Consolidated Tape Providers in its execution quality analysis.</p>
<p>Disclosures around the use of Direct Electronic Access (“DEA”) providers.</p>	<p>N/A</p>
<p>Summary of Analysis</p>	<p>Ongoing monitoring of the execution quality is still performed. In this regard, price is the most important execution factor monitored and as such we look at the bid/ask spread of the T-Bills to ensure the spread we are charged is within an acceptable tolerance.</p>
<p>Summary of Conclusions</p>	<p>The Firm believes that its execution policy was adhered to over the period, and that following this policy has delivered best execution for its clients over the period. This analysis will feed into the Firm’s annual review of its execution policy at which time further enhancements will be considered.</p>

3) Class of Financial Instrument: Currency derivatives (FX forwards)

RTS 28 / Art. 65(6) requirement:	Details:
<p>(a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;</p>	<p>In terms of the relative importance attached to the execution factors, the Firm has a general view and process which it then adapts and amends as necessary, based on the particular characteristics (i.e. the execution criteria) of each trade.</p> <p>In relation to professional clients, the first execution factor to consider is the likelihood of execution and settlement. The priority here will be to assess which brokers / execution venues are capable of executing the order on our required terms considering its size and nature. This is a relatively straightforward exercise that produces a range of equally ranked execution options for further consideration under the remaining execution factors.</p> <p>In respect of currency derivatives, we trade currency forwards to hedge a Fund's currency exposure. We consider it prudent both commercially and to manage credit risk to hold a Fund's assets with multiple ISDA Counterparties. In order to make this operationally efficient and as simple as possible to avoid mistakes, the currency forwards are split amongst the different ISDA Counterparties based on currency.</p>
<p>(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues/brokers used to execute orders;</p>	<p>The Firm does not have any close links, common ownership or other relationships that would give rise to any conflicts of interests with any of the relevant AKO Funds' ISDA counterparties.</p>
<p>(c) a description of any specific arrangements with any execution venues/brokers regarding payments made or received, discounts, rebates or non-monetary benefits received;</p>	<p>As noted above, the Firm does have broader relationships than just an executing broker relationship with certain of the brokers listed on the RTS 28 report. Morgan Stanley and Credit Suisse are ISDA Counterparties for the Fund. BNYM is Depositary / Custodian.</p>

<p>(d) an explanation of the factors that led to a change in the list of execution venues/brokers listed in the firm's execution policy, if such a change occurred;</p>	<p>The Firm's policy to trading FX forwards did not change during the period.</p>
<p>(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;</p>	<p>This is not applicable as the Firm only deals with Professional Clients.</p>
<p>(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;</p>	<p>This is not applicable as the Firm does not deal with Retail Clients.</p>
<p>(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 [RTS 27];</p>	<p>The Firm did not use RTS 27 reports or RTS 28 reports produced by execution venues or brokers during the period under review (2020), as these were not considered relevant to our policy.</p>

<p>(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.</p>	<p>The Firm has not used the output of any Consolidated Tape Providers in its execution quality analysis.</p>
<p>Disclosures around the use of Direct Electronic Access (“DEA”) providers.</p>	<p>N/A</p>
<p>Summary of Analysis</p>	<p>Ongoing monitoring of the execution quality is still performed. Again, in this regard, price is the most important execution factor monitored and as such we look at exchange rate of the currencies we are given by the relevant ISDA counterparty and check it is in line with the average rate for a similar order at the same time.</p>
<p>Summary of Conclusions</p>	<p>The Firm believes that its execution policy was adhered to over the period, and that following this policy has delivered best execution for its clients over the period. This analysis will feed into the Firm’s annual review of its execution policy at which time further enhancements will be considered.</p>