

Stratton Street Capital LLP

RTS 28 Disclosure

Disclosure Period: 1st January 2017 – 31st December 2017

Date of disclosure: 30 April 2018

This disclosure is being made pursuant to the Regulatory Technical Standard (“RTS”) 28 of the MiFID II regulations, which require firms to disclose on an annual basis, for each class of financial instruments traded for clients, a summary of the analysis and conclusions drawn from the execution quality monitoring that the Firm has undertaken.

This MiFID II RTS 28 disclosure report sets out where we provide the services of discretionary investment management for our clients which involves direct order execution, the top five brokers used in terms of trade volume and summarises the quality of execution achieved for our clients in the disclosure period. This disclosure covers the following classes of financial instruments that were traded during the period. As a fixed income and currencies investment manager, the primary instruments traded were debt instruments and currency derivatives.

We only trade on a direct order execution basis and only for professional clients. Furthermore, as a CPMI firm, the RTS28 disclosure requirement applies only to our MiFID related activities, as set out in our Best Execution Policy, we have standardised and consolidated disclosures across all our accounts and funds therefore this disclosure relates to the entire scope of our direct order execution activity.

Quantitative Report – the ‘TOP FIVE REPORT’

Class of Instrument	Debt instruments - all OTC bonds				
Top 5 brokers 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 - Not relevant to portfolio management business	Percentage of aggressive orders - Not relevant to portfolio management business	Percentage of directed orders
J.P. Morgan Securities PLC K6Q0W1PS1L1O4IQL9C32	35.18	34.39	n/a	n/a	0
HSBC Bank PLC MP6I5ZYZBEU3UXPYFY54	21.96	18.64	n/a	n/a	0
Citigroup Global Markets Limited XKZZ2JZF41MRHTR1V493	11.40	13.79	n/a	n/a	0
BNP Paribas R0MUWSFPU8MPRO8K5P83	10.25	8.94	n/a	n/a	0
Standard Chartered Bank RILFO74KP1CM8P6PCT96	7.25	8.94	n/a	n/a	0

Class of Instrument	Currency derivatives – forwards				
	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 - Not relevant to portfolio management business	Percentage of aggressive orders - Not relevant to portfolio management business	Percentage of directed orders
Brown Brothers Harriman & Co 5493006KMX1VFTYPW14	46.40	47.06	n/a	n/a	0
Societe Generale International Limited 0IKLU6X1B10WK7X42C15	32.19	44.75	n/a	n/a	0
Nomura International PLC DGQCSV2PHVF7I2743539	15.32	5.71	n/a	n/a	0
Morgan Stanley & Co International PLC 4PQUHN3JPFGNF3BB653	6.09	2.48	n/a	n/a	0

We have only executed forward FX trades with 4 brokers in the disclosure period. Brokers are selected based on execution ability and where contractual terms have been agreed with the underlying client. In the disclosure period, forward FX contracts have been used to hedge currency exposure in each client's portfolio, the hedging has not been speculative. The number of FX contracts entered for each client is dependent on flows in and out of the portfolio and non-base currency investments in the portfolios.

Qualitative Report

Our detailed monitoring of the quality of execution obtained in debt market and currency derivatives instruments illustrates that we are obtaining best execution for our clients.

Relative factor performance – Probability of execution is the priority to assess which brokers are capable of directly executing the order on the required terms. In normal market conditions however this is a relatively straightforward exercise that will produce a range of equally ranked execution options for further consideration under the remaining execution factors. We place high importance on price when looking to execute. We aim to seek at least 3 quotes before executing a trade, selecting the best price achievable bearing in mind size, nature and characteristics of the order and the speed or likelihood of execution.

Venue Conflicts – we do not have any close links or therefore conflicts of interest with any of the brokers we execute trades with, therefore our broker selection is not driven in any way via any common ownership.

Venue Payments – we have no specific arrangements regarding payments made in relation to execution. We do not receive any discounts, rebates or non-monetary benefits.

Venue Changes – we trade OTC, our selection of broker to trade OTC is determined by the best price offered for the size, nature and characteristics of the order and the speed or likelihood of execution as outlined above. We also select on the financial security, regulatory standing and reliability and responsiveness of the broker. Our internal list of execution brokers approved for use did not change during the period.

Client categorisation – all of our clients are classified as Professional Clients, therefore our order execution quality does not differ according to client categorisation as we only deal with Professional Clients.

Retail factors – are not applicable as we do not deal with Retail Clients.

Execution analysis tools – we have analysed our execution quality using internal monitoring processes. Our trade records capture the pricing data required for us to assess and monitor best execution.

Consolidated Tape Provider usage – We have not used consolidated tape provider output algorithms to assess execution performances.

Direct Electronic Access – We have the ability to make use of direct electronic access arrangements, whereby we are given direct electronic access to a trading venue by a broker. In the reporting period all of our trades were directly executed with brokers over the counter.

In summary, the ongoing monitoring of execution quality and ‘first line’ controls are undertaken by our individual traders and Head of Fixed Income and Currencies with independent scrutiny carried out by our middle office as the ‘second line of defence’. The first and second lines of defence are therefore primarily responsible for ex ante and ex post monitoring of best execution on an ongoing basis, with oversight of this monitoring undertaken by the Compliance Officer. Best execution monitoring is reviewed by the Best Execution Committee on a quarterly basis. Our monitoring shows we have delivered best execution for our clients over the period and our analysis will feed into the Best Execution Committee’s annual review of the execution policy at which time any further enhancements will be considered.