

## RTS 28 - Annual Best Execution Disclosure For the period 1 January 2017 to 31 December 2017

Report as of April 30, 2018

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### Introduction

Payden & Rygel Global Limited (“PRGL”) is authorised and regulated by the Financial Conduct Authority (“FCA”). Regulatory Technical Standard 28 (RTS 28) of MiFID II requires us to publish annually information on our top five brokers and/or venues for each of 22 sub-asset classes, along with a summary of the firm’s execution priorities and Best Execution Policy.

This report provides information on the quality of PRGL’s execution in 2017 and summarizes our analysis and conclusions. This report only covers transactions executed by PRGL. Transactions executed by its parent, Payden & Rygel, are not included.

### Financial Instrument Classes

This report includes the following instrument classes, as specified in Annex I of RTS 28:

Debt Instruments – Bonds

Debt Instruments – Money Markets

Interest Rate Derivatives – Futures and options admitted to trading on a trading venue

Structured Finance Instruments

Currency Derivatives – Swaps, forwards, and other currency derivatives

Classes identified in Annex I of RTS 28, but not listed above, were not traded during 2017 by PRGL and are therefore not included in this report.

## Best Execution Policies and Procedures

PRGL's policy is to take all sufficient steps to achieve best execution on all trades. In seeking best execution, the goal is to obtain the best possible result for the client, given the circumstances at the time of the trade, the nature of the trade, and the application of the broker selection criteria set forth below. PRGL's traders may only execute with brokers that meet the criteria below and are on the firm's approved broker list.

The Best Execution Committee ("BEC") monitors overall execution practices, using the below criteria.

PRGL considers all relevant execution factors, including:

- **Price and Costs:** Wherever possible, traders are expected to obtain competitive prices before executing trades. All else equal, traders are expected to execute all trades at the best price. Some exceptions may arise in cases of client-directed trades to specific broker/dealers. In cases where competitive prices may not be available on a timely basis, traders are expected to use their best judgment and market knowledge to negotiate the best possible price and/or timing of execution. Commissions on exchange-traded securities must be reasonable and monitored regularly to ensure competitive costs.
- **Liquidity and Depth:** The broker/dealer must demonstrate the ability to provide liquidity in the specific market area. Depth in the trading area is also important, as demonstrated by market presence, capacity, sustainability and commitment to the business. The BEC also considers the broker/dealer's market-making ability and willingness, *i.e.*, its ability and willingness to make a two-way market in difficult market conditions, even if it requires putting its own capital at risk. Access to the market and speed of execution are important factors in evaluating this criterion.
- **Market Expertise:** The broker/dealer should demonstrate expertise in executing trades in the relevant market.
- **Operational Efficiency:** Operational efficiency is an important criterion in evaluating a broker/dealer, since settlement problems such as failed trades or inability to process the transactions accurately and efficiently can be costly.
- **Quality of Service:** This qualitative criterion is based on PRGL's experience with the responsiveness and flexibility of the broker/dealer and its attention to specific execution needs.
- **Other Considerations:** The characteristics of the client and any special characteristics of the client trade itself are relevant. Further, the characteristics of the financial instrument that will be traded are relevant, as are the characteristics of the venues on which the trade may be executed. All client accounts are treated equally, except clients that instruct the specific brokers with which we must execute, or restrict us from trading with certain brokers we otherwise would have selected, under the circumstances.

Quarterly, the BEC reviews the approved brokers and venues, and may solicit recommendations from the various trading desks for brokers or venues to be added to or deleted from the list. The BEC assesses such proposed additions or deletions based on the criteria set forth above. Annually, the BEC provides the approved broker list to Payden & Rygel's Investment Policy Committee for review.

PRGL's traders must execute with brokers and venues on the approved list. The traders must communicate any relevant issues that may impact the quality of execution directly to the appropriate trading manager. Traders are expected to be familiar with the firm's Best Execution Policy and to adhere to it on all trading activity. The Best Execution Policy is reviewed to confirm it allows PRGL to achieve consistently the best possible result for its clients, and updates to the Policy are made as necessary.

The BEC meets quarterly. It reviews relevant trading reports and other documents, interviews traders on a rotational basis, and interviews the settlements and other middle office personnel with respect to broker operational matters, including recurring settlement issues with specific brokers.

Portfolio Managers and Strategists work closely with the Trading Desk and may direct specific execution factors to be prioritised, given the nature of the security, market conditions, and the specific characteristics of the trade. In those circumstances, the Trader executes consistent with the directions of the Portfolio Manager or Strategist. In the absence of specific direction from a Portfolio Manager or Strategist, the Trader determines the importance of each execution factor based on the nature of the trade and market conditions.

Trades may be executed on a Multilateral Trading Facility (MTF), on a regulated market via a broker, or bilaterally directly with a broker. PRGL is not a member of any regulated markets, but places relevant orders with a broker for execution.

## RTS 28 Analysis

Disclosure of the top five brokers by volume traded is reported in machine-readable format on our website at <https://www.payden.com/ucitsRTS28.aspx>

With respect to all financial instrument classes:

	Summary of Analysis
Close links, conflicts of interest and common ownership with respect to execution venues.	The firm has no close links, conflicts of interest, nor common ownership with any brokers and/or venues.
Specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.	The firm has no such arrangements.
Factors leading to a change in the list of execution venues listed in the order execution policy.	<p>New brokers were added to the firm's approved broker list during the period.</p> <p>The factors considered in adding or removing brokers from the list, as well as the ongoing monitoring of the list, are included in the Best Execution Policy described above. These factors were applied objectively during the period, consistent with the Best Execution Policy.</p>
Differentiation across client categories.	Not Applicable – All the firm's clients are professional clients.
Use of consolidated tape provider output.	The firm has not used output from consolidated tape providers.

PRGL considers the following execution factors deemed to be applicable to each asset class when executing orders with brokers. The importance placed on each execution factor may differ for any transaction, depending on the characteristics of the order, the availability of liquidity sources and other prevailing market conditions. The analysis below summarizes the typical relative importance of execution factors.

- Price
- Speed of execution
- Likelihood of settlement and other operational performance
- Liquidity in the market of the security
- Size of the transaction
- Costs
- The ability to remain anonymous in the market
- Counterparty risk
- Other characteristics of the order determined to be relevant

### **Debt Instruments – Bonds and Money Markets Structured Finance Instruments**

In executing Bond, Money Market and Structured Finance orders, PRGL considers factors dependent on the nature of the order, security characteristics, and market conditions at the time of order. The most significant factors are typically price, speed of response and execution and operational capabilities, including likelihood of settlement. Trade inquiry is directly with brokers using trading venues and direct requests for competing quotes. Prices are compared to market rates and other data as available. Traders typically request quotes from multiple brokers. However, the number of brokers from which a trader seeks quotes may differ based on the trader's judgement or based on the characteristics of the trade. For example, if seeking to transact a large position or if it is known there is limited liquidity in a security, it may not be in the clients' best interest to seek multiple quotes.

PRGL participates in new issuance of bonds. Purchases of bonds at issuance is directly with a single broker or market maker. As such, there is often no choice as to the broker with which to execute. In these circumstances, the trader and the Portfolio Manager or Strategist coordinate to determine the price at which we are willing to participate in the issuance.

Debt securities are traded OTC, so operational efficiency is considered in selecting brokers for execution. Price will generally receive a high relative importance. However, PRGL may determine that other execution factors as described above may be more important than price in order to deliver the best possible client result, dependent on the specific circumstances at the time of the transaction.

Execution reports are reviewed on a quarterly basis by the Best Execution Committee. Any concerns identified from review of the reports are addressed with the applicable trading team

and with the Head of Trading. Counterparty concentration reports are reviewed weekly by the firm's Investment Policy Committee.

The relative importance given to the execution factors described above is consistent with PRGL's Best Execution Policy.

### **Interest Rate Derivatives – Futures and options admitted to trading on a trading venue**

PRGL is not a member of any regulated markets. As a result, orders are placed with a broker for execution on a regulated market. With respect to exchange-traded interest rate derivatives, we have negotiated standardized commission rates with several brokers.

The most significant factors are typically price, size of order and specific client directives. Operational efficiencies are generally highly automated. Price will generally receive a high relative importance. However, PRGL may determine that other execution factors may be more important than price in order to deliver the best possible client result, dependent on the specific circumstances at the time of the transaction.

Commissions paid are reviewed quarterly by the Best Execution Committee.

The relative importance given to the execution factors described above is consistent with PRGL's Best Execution Policy.

### **Currency Derivatives - Swaps, forwards, and other currency derivatives**

When dealing in foreign exchange, such as FX forwards or swaps, the execution strategy is determined by various factors, including but not limited to the currency pair, size of the order, time of day and conditions in the market at time of execution. Prior to trading, traders must consider the ability to trade with specific counterparties for each individual client. For over-the-counter (OTC) transactions there must be an ISDA agreement, which is often accompanied by relevant variation margin rule-compliant Credit Support Annexes. The inability to trade with a specific counterparty may impair the trader's ability to achieve a preferred method of execution. Trades may be done on a request for quote (RFQ) basis, or on a competitive basis. In all cases, a pre-trade assessment is conducted by the trader, which includes gathering market data, reviewing different pricing sources and comparing similar or comparable deals. Traders often use an electronic trading platform for either trading or allocating trades done off-platform. The top 5 report includes all activity processed, whether or not the trade was executed electronically.

Depending on the impetus or desired objective for the trade, different execution factors may be prioritized. While most trades will prioritize price and costs, there will be times when speed may be of essence or size may be a larger consideration. Other factors that are

frequently considered are the likelihood of execution and settlement, the nature of the order, the ability to remain anonymous in the market, the prevention or controlled limitation of information leakage, the characteristics of the client, the intent of the portfolio manager/s, trading or other restrictions in that specific market and which execution venues may be available. Where appropriate, traders work closely with portfolio managers to determine appropriate method of execution. Otherwise, traders determine the relative importance of execution factors by using their experience and knowledge of the market and conditions at time of execution.

We employ an independent third party to aggregate and analyze FX execution data. The data and transaction cost analysis reports are reviewed regularly by the BEC. Trade performance is compared to benchmark rates that are constructed from market data.

The relative importance given to the execution factors described above is consistent with PRGL's Best Execution Policy.

## Payden & Rygel Global Ltd.

1 Bartholomew Lane  
London EC2N 2AX  
+44 20-7621-3000

## Important Notices

Payden & Rygel Global Limited is authorised and regulated by the UK Financial Conduct Authority. The information provided is not intended to provide a sufficient basis on which to make an investment decision. It is not intended for retail customers and such persons should not rely on this material. Moreover, any investment or service to which this material may relate will not be made available to such retail customers. This material is directed exclusively at eligible counterparties or professional clients as defined by the rules of the Financial Conduct Authority or parties who are otherwise eligible under these rules. Payden & Rygel Global Limited has not taken any steps to ensure that the products and services referred to are suitable for any particular investor and no assurance can be given that any stated investment objectives will be achieved. The value of investments may fall as well as rise. Payden & Rygel Global Limited believes the content to be accurate. However, accuracy is not warranted or guaranteed.

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