

Report on the most important trading venues / brokers of Lupus alpha Asset Management AG in 2019

General information

Lupus alpha (translated: “the Lead Wolf”) is an owner-managed, independent asset management group offering specialised investment products to institutional and wholesale investors. We concentrate on a few attractive asset classes for which special expertise is required and in which we can realise sustainable added value for our clients. Our focus is on the European small-cap sector and on offering liquid alternative investment concepts. As a specialist provider, we systematically develop new alpha sources for institutional investors through specialised, innovative strategies and open up avenues for broader and deeper diversification of their overall portfolios.

Policy statements

In order to meet the requirements of DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 (MiFID II) and the Second Financial Market Amendment Act (2nd FiMaNoG) with regard to the disclosure of the most important brokers of Lupus alpha Asset Management AG, as well as with regard to execution quality, we hereby submit the report below.

The disclosure is exclusively for professional clients. Lupus alpha Asset Management AG has no client relationship with retail investors.

Lupus alpha Asset Management AG trades exclusively with brokers and does not itself trade on a trading venue.

All trading orders were placed without specific instructions to brokers, so no distinction between aggressive and passive orders is necessary. There were no articulated orders in the past financial year.

Most important brokers of Lupus alpha Asset Management AG in 2019

Period: 1.1.2019 - 31.12.2019

In accordance with Annex I to the DELEGATED COMMISSION REGULATION supplementing Directive 2014/65/EU of the European Parliament and of the Council with regulatory technical standards on the annual publication of information by investment firms on the identity of trading venues and the quality of execution, we report:

a) Equity instruments – shares and share certificates

i) Tick size/liquidity bands 5 and 6 (from 2000 trades per day)

Equity instruments Liquidity bands 5/6					
On average < 1 deal/day:				N	
Rank	LEI	Name	Share volume	Share of orders	
1	2138005N5TO2UJR67I36	Liquidnet Europe Ltd.	17.6%	15.2%	
2	529900JFOPPEDUR61H13	Baader Bank Aktiengesellschaft	7.9%	7.5%	
3	MP6I5ZYZBEU3UXPYFY54	HSBC BANK PLC	6.3%	9.0%	
4	5299007QVIQ7IO64NX37	UBS Europe SE	5.8%	8.1%	
5	529900MC68RTGHI4F05	MainFirst Bank Aktiengesellschaft	5.5%	3.7%	

ii) Tick size/liquidity bands 3 and 4 (between 80 and 1999 trades per day)

Equity instruments Liquidity bands 3/4					
On average < 1 deal/day:				N	
Rank	LEI	Name	Share volume	Share of orders	
1	2138005N5TO2UJR67I36	Liquidnet Europe Ltd.	24.5%	20.6%	
2	529900JFOPPEDUR61H13	Baader Bank Aktiengesellschaft	6.5%	6.3%	
3	MP6I5ZYZBEU3UXPYFY54	HSBC BANK PLC	6.2%	8.1%	
4	529900MC68RTGHI4F05	MainFirst Bank Aktiengesellschaft	5.9%	6.4%	
5	529900KKJ9XOK6WO4426	Bank Vontobel Europe AG	5.9%	8.1%	

iii) Tick size/liquidity bands 1 and 2 (between 0 and 79 trades per day)

Equity instruments					
Liquidity bands 1/2					
On average < 1 deal/day:				N	
Rank	LEI	Name	Share volume	Share of orders	
1	2G5BKIC2CB69PRJH1W31	Barclays Bank Ireland PLC	13.7%	3.0%	
2	2138005N5TO2UJR67I36	Liquidnet Europe Ltd.	10.5%	11.7%	
3	529900IOG1ENLW4SUU53	B.Metzler seel.Sohn & Co. KGaA	10.0%	4.3%	
4	MP6I5ZYZBEU3UXPYFY54	HSBC BANK PLC	9.0%	19.0%	
5	529900MC68RTGHI4F05	MainFirst Bank Aktiengesellschaft	8.8%	8.6%	

b) Debt instruments

i) Debt securities

Debt securities					
On average < 1 deal/day:				N	Share of orders
Rank	LEI	Name	Share volume		
1	549300ZK53CNGEEI6A29	J.P. Morgan AG	12.6%		9.3%
2	5493006QMFDDMYWIAM13	Banco Santander, S.A.	7.5%		4.0%
3	ROMUWSFPU8MPRO8K5P83	BNP Paribas Bonds	7.0%		4.8%
4	2ZCNRR8UK83OBTEK2170	UniCredit Bank AG	6.5%		7.0%
5	K6Q0W1PS1L1O4IQL9C32	JP Morgan Securities PLC	4.8%		2.2%

ii) Money market instruments

n/a

c) Interest rate derivatives

i) Futures contracts and options contracts admitted to trading on trading venues

Interest rate derivatives (futures and options)					
On average < 1 deal/day:				N	
Rank	LEI	Name	Share volume	Share of orders	
1	54930056FHWP7GIWYY08	Morgan Stanley Europe SE	51.8%	12.6%	
2	4PQUHN3JPFGFNF3BB653	Morgan Stanley & Co. International PLC	19.7%	3.9%	
3	X3CZP3CK64YBHON1LE12	NatWest Markets N.V.	16.3%	67.8%	
4	7LTWFZYICNSX8D621K86	Deutsche Bank AG, London	6.4%	1.3%	
5	RR3QWICWWIPCS8A4S074	The Royal Bank of Scotland Public Limited company	3.7%	13.7%	

ii) Swaps, forward transactions and other interest rate derivatives

n/a

d) Credit derivatives

i) Futures contracts and options contracts admitted to trading on trading venues

n/a

ii) Other credit derivatives

Credit derivatives (swaps over-the-counter)					
On average < 1 deal/day:				J	
Rank	LEI	Name	Share volume	Share of orders	
1	7LTFWZYICNSX8D621K86	Deutsche Bank AG, London	50.0%	45.5%	
2	K6Q0W1PS1L1O4IQL9C32	JP Morgan Securities PLC	24.1%	15.9%	
3	W22LROWP2IHZNBB6K528	Goldman Sachs International (GSIL), London (Fra)	11.5%	12.5%	
4	549300ZK53CNGEEI6A29	J.P. Morgan AG	8.7%	10.2%	
5	EYKN6VOZCB8VD9IULB80	Bank of America Merrill Lynch International Limited	5.6%	15.9%	

e) Currency derivatives

i) Futures contracts and options contracts admitted to trading on trading venues

n/a

ii) Swaps, forward transactions and other currency derivatives

Currency derivatives (futures and options over-the-counter)					
On average < 1 deal/day:				J	
Rank	LEI	Name	Share volume	Share of orders	
1	W22LROWP2IHZNBB6K528	Goldman Sachs International (GSIL), London (Fra)	27.5%	20.1%	
2	7LTFZYICNSX8D621K86	Deutsche Bank AG, London	25.0%	40.3%	
3	7H6GLXDRUGQFU57RNE97	JPMorgan Chase Bank, National Association	19.1%	11.9%	
4	549300FH0WJAPEHTIQ77	Bank of America Securities Europe SA	12.7%	3.8%	
5	549300ZK53CNGEEI6A29	J.P. Morgan AG	9.0%	5.0%	

f) Structured financial products

Structured financial products					
On average < 1 deal/day:				J	
Rank	LEI	Name	Share volume	Share of orders	
1	6TJCK1B7E7UTXP528Y04	Citigroup Global Market Europe AG	28.0%	10.6%	
2	2G5BKIC2CB69PRJH1W31	Barclays Bank Ireland PLC	21.8%	16.5%	
3	8IBZUGJ7JPLH368JE346	Goldman Sachs Bank Europe SE	18.7%	10.6%	
4	KX1WK48MPD4Y2NCUIZ63	Natixis SA	9.9%	8.2%	
5	U7M81AY481YLIOR75625	MUFG Securities EMEA PLC	9.2%	2.4%	

g) Equity derivatives

i) Options contracts and futures contracts admitted to trading on trading venues

Equity derivatives (futures and options)					
On average < 1 deal/day:				N	
Rank	LEI	Name	Share volume	Share of orders	
1	54930056FHWP7GIWYY08	Morgan Stanley Europe SE	56.8%	47.3%	
2	4PQUHN3JPFGFNF3BB653	Morgan Stanley & Co. International PLC	19.0%	12.7%	
3	529900RTSGHDD7OOSO86	Kreissparkasse Köln	6.7%	3.6%	
4	5299007QVIQ7IO64NX37	UBS Europe SE	4.8%	1.8%	
5	7LTWFZYICNSX8D621K86	Deutsche Bank AG, London	3.6%	3.7%	

ii) Swaps and other equity derivatives

Equity derivatives (swaps and other over-the-counter)					
On average < 1 deal/day:				J	
Rank	LEI	Name	Share volume	Share of orders	
1	5299007QVIQ7IO64NX37	UBS Europe SE	100.0%	100.0%	
2					
3					
4					
5					

h) Securitised derivatives

i) Warrants and certificates

Securitised derivatives (certificates)					
On average < 1 deal/day:				J	
Rank	LEI	Name	Share volume	Share of orders	
1	529900RTSGHDD7OOSO86	Kreissparkasse Köln	100.0%	100.0%	
2					
3					
4					
5					

ii) Other securitised derivatives

n/a

i) Commodity derivatives and emission allowance derivatives

n/a

j) Transactions for differences

n/a

k) Exchange-traded products (exchange-traded funds, exchange-traded debt securities and exchange-traded commodity products)

Exchange traded products					
On average < 1 deal/day:				J	
Rank	LEI	Name	Share volume	Share of orders	
1	529900RTSGHDD7OOSO86	Kreissparkasse Köln	89.9%	98.7%	
2	FOHUI1NY1AZMJMD8LP67	HSBC France S.A.	10.1%	1.3%	
3					
4					
5					

l) Emission allowances and m) other instruments

n/a

Execution quality of the most important brokers of Lupus alpha Asset Management AG in 2019

In principle, Lupus alpha has implemented a broker approval process that only approves brokers with impeccable credit ratings and that guarantee MiFID-compliant trading. Brokers are always selected from the approved broker list. An assessment of the quality provided is made on an annual basis, taking into account the following factors:

1. Price-related best execution

Products: OTC derivatives, convertibles, bonds, FX spot transactions, CLOs

Execution factors in order of importance:

Total fee of the financial instrument taking into account the order size, type of order (size and market depth of the offer), speed (incl. probability) of order execution or settlement, quality of settlement.

2. Broker-related best execution

Products: Shares in the small and mid-cap sector

Execution factors in order of importance:

Type of order (e.g. limited), local market position of the broker in the countries and sectors, speed (incl. probability) of order execution or settlement, order channel available, quality of settlement, total fee of the financial instrument (price plus costs) taking into account the order size.

Due to the lower liquidity of small- & mid-caps compared to large-caps and the smaller number of specialised brokers with corresponding access to the respective countries, the price of small- & mid-cap stocks is only of secondary importance for the selection of the counterparty. In particular, it must be excluded that price changes of the small- & mid-cap shares already occur by requesting prices and disclosing the total number of units to be traded at several brokers. The orders are sometimes placed via several brokers and over a longer period of time and are “processed” bit by bit. Alternatively, block trades are made. The booked rate is determined as the mixed rate of the respective individual executions.

3. Modified price-based best execution

Products: Listed derivatives

Execution factors in order of importance:

Total fee of the financial instrument taking into account the order size, type of order (size and market depth of the offer), speed (incl. probability) of order execution or settlement, quality of settlement.

For derivatives trading for which Give Up Agreements have been concluded, trading with the respective Give Up Partner is always permissible as it enables the investor to obtain particularly good conditions.

4. Miscellaneous

Neither Lupus alpha Asset Management AG nor its subsidiaries have a corporate-like or other close relationship with any of the brokers. Nor were there any conflicts of interest or joint ownership of brokers.

Agreements on fees have been reached with all brokers. Furthermore, for selected brokers who also offer research services in addition to execution, there are separate contracts for the receipt and payment of research services. The payment processing in the Small & MidCap segment is carried out via a Research Payment Account. The research services in the Alternative Solutions area are paid for by Lupus alpha Asset Management AG itself. There are no further contracts or agreements on monetary or non-monetary benefits.

The execution of trading activities is the same for all funds in the same asset class. There are no differences between special and mutual funds. Exceptions can only be made if explicitly requested by the investor.

Execution quality is assessed using data and analytical tools (BTCA) from Bloomberg. These can be supplemented by transaction cost analysis (TCA) and pre-trade analysis by brokers.

Information from a CTP (consolidated tape provider) was not used.

Publication

The publication of the five most important brokers including an evaluation of the execution quality for the past financial year will be made on the homepage of Lupus alpha by 30.04. www.lupusalpha.de. This ensures that the publication is freely available and that there are no access restrictions. The reports remain queryable for a period of three years.