



## Trade Execution Reporting re RTS-28 2022

### Summary of Analysis of Quality of Execution

#### **A Best Execution at Van Lanschot Kempen Investment Management N.V.**

When executing client orders or decisions to deal, Van Lanschot Kempen Investment Management N.V. (VLK IM) has a duty to ensure that it obtains the best possible result for its clients; the so called “best execution” obligation. In its Order Execution Policy, VLK IM has described how best execution to her clients is provided on a consistent basis. In this policy, per type of financial instrument the applicable execution factors and their relative importance are stated.

The policy can be found online at: <https://www.vanlanschotkempen.com/en-nl/investment-management/document-library/Compliance>

VLK IM takes into account the following criteria for determining the relative importance of the execution factors:

- The characteristics of the client including the regulatory categorization of the client;
- The characteristics of the relevant order or decision to deal;
- The characteristics of financial instruments that are the subject of the relevant order or decision to deal; and
- The characteristics of the third-party executing broker to which that relevant order or decision to deal can be directed.

Subject to any specific instructions, taking into account the criteria above, VLK IM generally gave the highest priority to the Total Consideration Price, then market impact. The remaining execution factors speed, likelihood of execution, nature of the order or decision to deal and any other consideration relevant to the efficient execution of the client’s order or decision to deal were generally given equal ranking.

The Total Consideration Price includes the price of the financial instrument and the costs relating to execution, which shall include all expenses incurred by the client which are directly relating to the execution of the order or decision to deal, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order or decision to deal.

#### **B Conflicts of interest related to transaction execution**

VLK IM does not receive any remuneration, discount or non-monetary benefit for routing client orders or decisions to deal to a particular counterparty which would infringe the requirements on conflicts of interest or inducements. Standard agreements with third party executing brokers are in place.

Moreover, certain services received from counterparties, such as the provision of investment research, are paid by VLK IM.

Trading with Kempen & Co Securities (affiliated brokers)

Van Lanschot Kempen N.V. (VLK) operates a securities brokerage department (under the brand name Kempen & Co) and is included in our list of approved counterparties. As a third-party executing broker Kempen & Co is assessed, selected and reviewed by the same metrics as other executing brokers, as described in our Best Execution Policy. In 2022 VLKIM transmitted orders and decisions to deal in equity instruments to Kempen & Co.

VLK IM and affiliated companies operate independently of one another. Organizational and administrative measures have been taken to ensure the separation of businesses, prevent the dissemination of sensitive information and manage potential conflicts of interest.

## C Selection and review of counterparties

Client transactions and decisions to deal are executed only with or through counterparties (i.e. third-party executing brokers) that meet the requirements applied by VLK IM. An Approved counterparty list is compiled based on counterparty reviews. VLK IM continually considers the quality of execution and services provided by counterparties. This is reflected in a semi-annual review process, based on a quantitative and qualitative aspects.

In this review and selection process, VLK IM considers aspect like:

- The outcomes of a post-trade analysis where we monitor execution prices against industry benchmarks where available and evaluate the trading practices
- The quality and effectiveness of a counterparty's execution policy
- Trust, by which we mean: is a counterparty able to maintain the confidentiality of an order and do they know where to expose an order and where not
- The counterparty's ability to provide the best price and to maximize the opportunity for price improvement
- Ability of our counterparty to commit their capital to our trades and/or obtain natural liquidity to minimize market impact
- Clearance and settlement capabilities
- Commission rates and other costs
- The counterparty's ability to provide favorable access to 'new issues'
- Access to specific markets (e.g. Taiwan, Korea)
- Hit ratio's for Fixed Income transactions
- Quality and quantity of information flow
- Offering of a program trading platform
- Any other relevant factor

## D Monitoring and Policy review

One key aspect of best execution is that best execution focusses on the best possible overall results on a consistent basis, and not just on best price for an individual trade. VLK IM monitors trade prices against industry benchmarks where available, with the assistance of exception reports to determine if best execution has been achieved. We analyze our execution using the independent third-party vendor Bloomberg Transaction Cost Analysis (BTCA) solution, across multiple asset classes, to monitor our order execution policy.

We review our execution arrangements and policy at least annually, and additionally where there is a material change to our execution arrangements to deliver to its clients the best possible result in the execution of orders.

The quantitative and qualitative analysis of the quality of execution by the Third-party brokers used shows that we have consistently achieved good results for our clients. We compared our execution performance with industry benchmarks and found that we performed in line, and even exceeding these benchmarks in multiple cases. In addition, we managed to minimize market impact and find liquidity, which has increased the speed of execution and likelihood of execution. We achieved this by using a combination of advanced execution algorithms, liquidity analysis tools, and access to multiple strategies and Third-Party brokers.

The analysis leads us to conclude we consistently provided for the best possible execution outcomes, even in challenging market conditions. The review and conclusions have been discussed in detail at our Best Execution Committee, where we evaluated our execution practices and policies. We will continue to monitor and evaluate our execution practices to ensure that we maintain this good performance going forward.

Our execution strategy is tailored to the specific characteristics of each asset class we trade, including equities, fixed income, and FX. This is because each asset class has unique market structures, liquidity profiles, and execution challenges that require a different approach to achieve the best execution outcomes for our clients. For equities, we use a combination of different Third-party brokers, trading strategies, and dark pools to ensure that we achieve the best possible execution outcomes. We also leverage quantitative analysis to identify liquidity hotspots and optimize our execution algorithms. Based on our equity analysis, we have identified room for improvement in the market for a specialized US small-cap broker that can assist with

finding liquidity. This need arises due to the illiquidity of certain stocks and large assets under management in this strategy. We recommend adding as a Third Party Broker Baird, who should be able to offer expertise in navigating the challenges of trading illiquid markets.

For fixed income, we use a combination of voice and electronic trading to achieve best execution outcomes. We also have access to a wide range of liquidity sources, including counterparties, RFQ platforms, and electronic venues, to ensure that we can execute trades in a timely and cost-effective manner. During our Fixed income analysis of counterparties' performance, it became evident that Flow Traders did not meet our expectations. We have removed Flow Traders from the fixed income counterparty list as they did not perform as expected in terms of pricing competitiveness. Therefore, we decided to take action and remove them from our list. We have recently approved Susquehanna as an additional ETF/Algo style counterparty. This decision was made in order to further enhance our liquidity and pricing capabilities, and we believe that the expertise and resources that Susquehanna brings to the table will be a valuable asset to our execution.

For FX, we use a combination of spot and forwards contracts, and we access a variety of liquidity sources, including banks, ECNs, and multi-dealer platforms, to ensure that we achieve the best possible execution outcomes for our clients. VLK IM is taking steps to improve its pricing for the future by onboarding more FX counterparties. To achieve this, we recommended adding CITI, UBS, ABN and ING to the counterparty list for FX. The traders are of the opinion that these counterparties will prove to be a good fit and will aid in achieving better pricing.

These execution strategies have been developed and refined over time, based on our experience and expertise in each asset class. We also regularly review and update our execution strategies to ensure that they remain appropriate for current market conditions. The Best Execution Committee has evaluated our execution practices for each asset class; we have made no changes in the ranking of importance of execution factors. We are confident that we are using the most effective strategies to achieve best execution outcomes for our clients.

#### Disclaimer

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