

Quality of Execution Annual Report

Firm: Cheyne Capital Management (UK) LLP (“Cheyne Capital” or “the Firm”)

Calendar Year Disclosure Period: 1st January 2019 to 31st December 2019

Report Date: 30th June 2020

Sub-classes of financial instruments included in this report	Sub-classes of financial instruments not included in this report
<ul style="list-style-type: none"> • <i>Equities – Shares and Depositary Receipts</i> • <i>Equities - Futures and Options admitted to trading on a trading venue</i> • <i>Equity Derivatives – Swaps and other equity derivatives</i> • <i>Credit Derivatives – Futures and Options admitted to trading on a trading venue</i> • <i>Exchange Traded Products</i> 	<ul style="list-style-type: none"> • <i>Debt Instruments- Bonds</i> • <i>Credit Derivatives – Other credit derivatives</i> • <i>Currency Derivatives – Futures and Options admitted to trading on a trading venue</i> • <i>Currency Derivatives – Swaps, Forwards and other Currency Derivatives</i> • <i>Structured Finance Instruments</i> • <i>Other Instruments</i>

General

Cheyne Capital is authorised and regulated in the United Kingdom by the Financial Conduct Authority (“FCA”) as an Alternative Investment Fund Manager (“AIFM”) under the EU Alternative Investment Fund Managers Directive (“AIFMD”). The Firm manages a range of EU and non-EU domiciled Alternative Investment Funds (“AIFs”). The Firm also has certain additional regulatory permissions under the recast Markets in Financial Instruments Directive and Regulation (together “MiFID II”), in order to carry out MiFID portfolio management activities on behalf of UCITS funds and third party managed accounts.

As part of the MiFID II best execution requirements, investment firms must publish, on an annual basis, reports summarising specific information on the quality of execution obtained for each financial instrument traded during the preceding year. MiFID II provides 22 sub-classes of financial instruments and investment firms are required to disclose their trading volumes with different counterparties expressed as a percentage of the firm’s total execution volume and a percentage of the number of executed orders, in that particular sub-class of financial instrument (the Top 5 broker report). In addition, investment firms must also provide a qualitative report summarising the conclusions drawn from its monitoring of the quality of execution.

This report provides qualitative information summarising the quality of indirect execution (placing orders with, or transmitting orders to, another entity for execution) undertaken by Cheyne Capital in 2019, in the sub-classes of instruments detailed below. This report should be read with the accompanying quantitative disclosure report (the Top 5 broker report), which summarises the top 5 execution brokers used during 2019 for the sub-class of financial instruments in question.

Cheyne Capital has prepared this annual execution disclosure report in accordance with the FCA rules, as detailed in the FCA’s Handbook and industry guidance. For the avoidance of doubt, Cheyne Capital’s execution disclosure reports only provide data on the Firm’s MiFID activities, in respect of indirect execution; they do not include any transaction activities where Cheyne Capital traded directly with its counterparties (e.g. on an OTC basis) or acted as AIFM for its EU and non-EU AIFs. Therefore, the reports should not be considered as being a full representation of the Firm’s trading activities within the reporting period.

Sub-class of financial instrument	<ul style="list-style-type: none"> • <i>Equities – Shares and Depositary Receipts</i> • <i>Equity Derivatives – Swaps and other equity derivatives</i> • <i>Exchange Traded Products</i> 	
Observations	<p>As a discretionary investment manager, Cheyne Capital will not invite or accept specific instructions from clients as to how an individual transaction should be effected. Cheyne Capital's Order Execution Policy sets out the considerations, processes and procedures used by the Firm to comply with the regulatory obligation to achieve best execution when undertaking investment transactions for clients.</p> <p>Cheyne Capital acted in the best interests of all its clients and in accordance with the Firm's Order Execution Policy, when undertaking transactions during the period in the sub-classes of financial instruments detailed above. The Firm took all reasonable steps to obtain the best possible results, taking into account the execution factors discussed below, when placing or transmitting orders in these sub-classes of financial instruments. The Firm only executed a small number of trades in the sub-class of Equities – Shares and Depositary Receipts and Exchange Traded Products and as such, the top five broker data has not been provided, as it is not considered meaningful or representative of the Firm's execution arrangements.</p> <p>The Firm monitors the effectiveness of its order execution arrangements to identify and, where necessary, correct any deficiencies. There were no deficiencies identified during the reporting period. No single counterparty is favoured compared to others, unless it can be demonstrated that such counterparty consistently provides a superior service, which would include, for example, providing better pricing than its competitors. Cheyne Capital will assess whether the brokers used provide the best possible result for clients or whether changes to the Firm's execution arrangements are required. There were no material changes to the Firm's execution arrangements during the reporting period. The Firm also periodically reviews the levels of commissions paid to ensure that commission rates remain appropriate.</p>	
	Summary of analysis	Conclusion
Execution factors	<p>When seeking to place/transmit an order on behalf clients, Cheyne Capital takes into account such factors as we consider relevant to the transaction in question. These may include:</p> <ol style="list-style-type: none"> 1. Price; 2. Speed, and the need for timely execution; 3. Likelihood of execution or settlement; 4. Liquidity of the market; 5. Size of the transaction; 6. Costs; 7. Nature of the transaction; including whether it is traded on a Regulated Market, Multilateral Trading Facility ("MTF") or OTC; and 8. Any other consideration we believe to be relevant. <p>The relative importance of the execution factors detailed above was determined by the following execution criteria:</p> <ul style="list-style-type: none"> • The characteristics of the Client; 	<p>During the period under review, Cheyne Capital's overarching execution process was based on these execution factors and criteria, as detailed in the Firm's Order Execution Policy.</p> <p>When effecting transactions on behalf clients, Cheyne Capital will generally weight execution factors in an order of priority based on the client mandate and asset class in question, all of which may be subject to changes depending on the execution criteria at the time of the transaction.</p> <p>Ordinarily, price will merit a high relative importance in obtaining the best possible result. However, the Firm may, in its absolute discretion, decide that any other factor or factors are or may be more important than price in determining the best possible execution result.</p> <p>The relative importance given to these execution factors was in line with the Firm's order execution policy and consistent with the Firm's process in respect of these sub-classes of financial instruments.</p>

	<ul style="list-style-type: none"> • The characteristics of the transaction; • The characteristics of the financial instruments that are the subject of the transaction; and • The characteristics of the Brokers or Execution Venues to which that transaction can be placed or transmitted. 	
Close links with respect to execution venues/brokers	The Firm has no close links with any execution venues/brokers to report.	
Conflicts of interest with respect to execution venues/brokers	The Firm has no conflicts of interest to report.	
Common ownership with respect to execution venues/brokers	The Firm has no common ownership to report.	
Specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received	The Firm has no specific arrangements to report.	
Factors leading to a change in the list of execution venues/brokers listed in the order execution policy	There were no changes to the list of execution venues/brokers in the Firm's Order Execution Policy.	
Differentiation across client categories	There has been no differentiation across client categories during the reporting period. All of the Firm's clients are professional clients, the Firm is not authorised to conduct investment business with retail investors.	
Use of third party data / tools relating to quality of execution	The Firm used Bloomberg pricing data in order to evaluate execution quality. The prices achieved by the firm were compared to industry standard price benchmarks.	
Use of consolidated tape provider output	The Firm has not used output from consolidated tape providers.	

Sub-class of financial	<ul style="list-style-type: none"> • <i>Equities - Futures and Options admitted to trading on a trading venue</i>
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instrument	<ul style="list-style-type: none"> Credit Derivatives – Futures and Options admitted to trading on a trading venue 	
Observations	<p>As a discretionary investment manager, Cheyne Capital will not invite or accept specific instructions from clients as to how an individual transaction should be effected. Cheyne Capital's Order Execution Policy sets out the considerations, processes and procedures used by the Firm to comply with the regulatory obligation to achieve best execution when undertaking investment transactions for clients.</p> <p>Cheyne Capital acted in the best interests of all its clients and in accordance with the Firm's Order Execution Policy, when undertaking transactions during the period, in the sub classes of instruments highlighted above. The Firm took all reasonable steps to obtain the best possible result, taking into account the execution factors discussed below, when placing or transmitting orders in these sub-classes of financial instrument. Given that the Firm only executed a small number of trades in these sub-classes, the top five broker data has not been provided, as it is not considered meaningful or representative of the Firm's execution arrangements.</p> <p>The Firm monitors the effectiveness of its order execution arrangements to identify and, where necessary, correct any deficiencies. There were no deficiencies identified during the reporting period. No single counterparty is favoured compared to others, unless it can be demonstrated that such counterparty consistently provides a superior service, which would include, for example, providing better pricing than its competitors. Cheyne Capital will assess whether the brokers used provide the best possible result for clients or whether changes to the Firm's execution arrangements are required. There were no material changes to the Firm's execution arrangements during the reporting period. The Firm also periodically reviews the levels of commissions paid to ensure that commission rates remain appropriate.</p>	
	Summary of analysis	Conclusion
Execution factors	<p>When seeking to place/transmit an order on behalf clients, Cheyne Capital takes into account such factors as we consider relevant to the transaction in question. These may include:</p> <ol style="list-style-type: none"> Price; Speed, and the need for timely execution; Likelihood of execution or settlement; Liquidity of the market; Size of the transaction; Costs; Nature of the transaction; including whether it is traded on a Regulated Market, Multilateral Trading Facility ("MTF") or OTC; and Any other consideration we believe to be relevant. <p>The relative importance of the execution factors detailed above was determined by the following execution criteria:</p> <ul style="list-style-type: none"> The characteristics of the Client; The characteristics of the transaction; The characteristics of the financial instruments that are the subject of the 	<p>During the period under review, Cheyne Capital's overarching execution process was based on these execution factors and criteria, as detailed in the Firm's Order Execution Policy.</p> <p>When effecting transactions on behalf clients, Cheyne Capital will generally weight execution factors in an order of priority based on the client mandate and asset class in question, all of which may be subject to changes depending on the execution criteria at the time of the transaction.</p> <p>Ordinarily, price will merit a high relative importance in obtaining the best possible result. However, the Firm may, in its absolute discretion, decide that any other factor or factors are or may be more important than price in determining the best possible execution result.</p> <p>The relative importance given to these execution factors was in line with the Firm's order execution policy and consistent with the Firm's process in respect of these sub-classes of financial instruments.</p>

	<p>transaction; and</p> <ul style="list-style-type: none"> The characteristics of the Brokers or Execution Venues to which that transaction can be placed or transmitted. 	
Close links with respect to execution venues/brokers	The Firm has no close links with any execution venues/brokers to report.	
Conflicts of interest with respect to execution venues/brokers	The Firm has no conflicts of interest to report.	
Common ownership with respect to execution venues/brokers	The Firm has no common ownership to report.	
Specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received	The Firm has no specific arrangements to report.	
Factors leading to a change in the list of execution venues/brokers listed in the order execution policy	There were no changes to the list of execution venues/brokers in the Firm's Order Execution Policy.	
Differentiation across client categories	There has been no differentiation across client categories during the reporting period. All of the Firm's clients are professional clients, the Firm is not authorised to conduct investment business with retail investors.	
Use of third party data / tools relating to quality of execution	The Firm has not used any third party data or tools relating to quality of execution.	
Use of consolidated tape provider output	The Firm has not used output from consolidated tape providers.	