

Quality of Execution Report

Structured finance instruments

Period covering 1 January 2017 – 31 December 2017

## Investment Service - Portfolio Management/Reception and Transmission Professional Clients

Class of Instrument	Structured finance instruments				
Notification if < 1 average trade per business day in the previous year	Y				
Top five execution venues 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	Percentage of Aggressive orders	Percentage of Directed orders
DEUTSCHE BANK AG - 7LTWFZYICNSX8D621K86	22.64	12.12	0.00	0.00	87.50
GOLDMAN SACHS INTERNATIONAL - W22LROWP2IHZNBB6K528	21.77	16.67	0.00	0.00	100.00
JP MORGAN SECURITIES PLC - K6Q0W1PS1L1O4IQL9C32	20.41	12.12	0.00	0.00	87.50
MERRILL LYNCH INTERNATIONAL - GGDZP1UYGU9STUHRDP48	13.42	16.67	0.00	0.00	90.91
MORGAN STANLEY & CO INTERNATIONAL - 4PQUHN3JPF GFNF3BB653	8.85	13.64	0.00	0.00	100.00

### Note:

- The reporting period covered is from 1 January 2017 – 31 December 2017.
- Class of Instrument (Structured finance instruments) contains asset backed securities, mortgage backed securities, and collateralized mortgage obligations.
- Notification of < 1 average trade per business day in the previous year is indicated with 'Y' for Yes where there was less than 1 trade on average per business day in 2017. 'N' indicates there was more than 1 trade on average per business day.

## Quality of Execution Report, period covering 1 January 2017 – 31 December 2017

### Portfolio Management / Reception and Transmission

Neuberger Berman Europe Limited (NBEL) has published for each class of financial instrument, that it has either traded in or placed with a counterparty for execution, a summary of its analysis and the conclusions drawn from detailed monitoring of the quality of execution obtained for all client orders during 2017.

The following qualitative information is a summary analysis based on NBEL, and relevant Neuberger Berman group affiliates, detailed ongoing monitoring of execution quality for **structured finance instruments**.

#### Requirement

- (a) an explanation of the relative importance NBEL and its group affiliates gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;

NBEL's central focus is the best execution for all our clients. The considerations which NBEL will take into account when assessing the quality of execution are a combination of the following factors:

- Price – NBEL is continually engaged in price discovery with available counterparties.
- Speed of execution – the speed with which counterparties show an executable price. When timing of execution and defined market levels are prioritized by NBEL, the first available price may be taken, as long as it is within expected tolerance limits or a set reserve price if applicable.
- Consistency of execution – in respect of pricing, speed of execution, reliability (robustness of electronic systems and ability to show competitive prices during times of high market volatility) and the operational aspects of order execution – interaction with middle-office, system and settlement issues as well as connectivity.

The price of the instrument and costs of execution, both implicit and explicit are the most important factors when setting our execution strategy with the counterparties used. Our goal will always be to treat all of our clients fairly in achieving the

## Requirement

best possible execution outcome.

(b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;

NBEL and/or any other Neuberger Berman group affiliates do not trade with or have any close links or common ownership with any execution venues or counterparties used to execute orders.

(c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;

NBEL and/or any other Neuberger Berman group affiliates will not receive payments, discounts or rebates in its trading arrangements.

Certain non-monetary benefits may be given and received by NBEL, but will comply with internal policies which deal with gift and entertainment scenarios, research received, as well as the creation of potential conflicts of interest that may arise.

(d) an explanation of the factors that led to a change in the list of execution venues listed in NBEL's execution policy, if such a change occurred;

NBEL will assess on an on-going basis, whether execution counterparties continue to enable NBEL to consistently meet its best execution obligations. NBEL reviews the criteria applied when originally approving an execution counterparty and evaluates whether changing market conditions and operational factors have impacted that choice. The monitoring includes access to market liquidity, stability of the company, ability to integrate into with the existing infrastructure in order to minimise operational risks and other factors.

During the fourth quarter of 2017, NBEL began to use an electronic trading process for Danish covered bonds.

## Requirement

(e) an explanation of how order execution differs according to client categorisation, where NBEL treats categories of clients differently and where it may affect the order execution arrangements;	Generally all NBEL clients are treated in the same way. However, during the period we agreed with one client specific execution guidelines to manage the liquidation of their portfolio.
(f) an explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;	This is not applicable, as NBEL does not trade retail client orders.
(g) an explanation of how NBEL has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575 – RTS27;	NBEL has hired an independent TCA (transaction costs analysis) provider to help with detailed monitoring of the quality of execution obtained across the brokers where we execute and/or place client orders for execution.  Data published in line with the Delegated Regulation/RTS27 is not yet available for the period under review, so cannot be considered at this time.
(h) where applicable, an explanation of how NBEL has used output of a consolidated tape provider.	This is not applicable, as there are currently no consolidated tape providers in Europe.