

# Annual Qualitative Report for Individually Managed Portfolios

15 April 2021

**Securities financing transactions**

APG Asset Management N.V.



## Introduction

This report is the Annual Qualitative Report for Individually Managed Portfolios describing the execution assessment in *Securities Financing Transactions* only. This report does not include any data or conclusion with regards to the service of Collective Portfolio Management and *Securities Financing Transactions* executed as part of this service. This document presents a combined analysis of execution obtained when placing trades with our execution brokers and when trading directly on venues and is available on the APG website.

The report is intended as a qualitative report as described by the Commission Delegated Regulation (EU) 2017/576 supplementing the Directive 2014/65/EU.

The report follows the structure as detailed in the article 3 sub 3, of the (EU)2017/576 Regulation.

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## Execution Factors

The following execution factors were considered to be relevant when executing transactions in this asset class during the year 2020:

- Market Impact
- Likelihood of Execution
- Speed
- Price
- Cost
- Likelihood of Settlement
- Nature of the order
- Any other consideration that is key to the order execution

The guiding principal for selecting the most suitable method of execution is to deliver the desired exposure at the lowest cost with the least possible market impact.

During 2020 the importance of the execution factors did not change.

## Close Links, conflict of interest, common ownership and specific arrangements

APG Asset Management (APG AM) has no close links nor holds any common ownership with respect to any venue used to execute or place orders. APG AM has no qualified ownership over the venues used for this asset class. From time to time APG AM may invest, on behalf of clients, client money and manage an equity holder or debtholder interest of a financial institution holding close links with or a qualifying holding in venues in which this asset class is traded. APG AM has no current on-going litigation or legal disputes in court with the venues used in this class.

In 2020 APG AM has not recorded any conflicts of interest with the venues used in this asset class. The Conflicts of Interest policy applies to any potential conflicts of interest with the venues. APG AM did not receive payments, discounts, rebates or non-monetary benefits in its arrangements with the trading venues used. Furthermore APG AM has policies and procedures in place to prevent the receipt of monetary or non-monetary benefits from third parties that are of a scale and nature which could impair its provision of services to its clients ('inducements'). This includes the receipt of gifts and hospitality by employees of APG AM in this context. MiFID II



imposed updated requirements on inducements, including specific requirements on the receipt of research. In accordance with this, APG AM has chosen to pay for research services from its own resources and will only accept non-monetary benefits which can be considered minor. In addition, any monetary benefits received will be passed on to APG AM's clients as soon as reasonably possible. The receipt of such benefits is controlled, monitored and reported to clients in accordance with APG AM's Code of Conduct and Inducements Policy.

## **Change of Venues**

The trades in the classes of financial instruments described in the aforementioned Delegated Regulation that APG AM is executing on behalf of the clients can only be executed with brokers, counterparties and venues that have passed our stringent selection process and compliance checks. Such brokers, counterparties and venues are included in the APG AM Approved Counterparty List.

During 2020, the following changes have occurred.

Venues added: Barclays Bank Ireland PLC

In 2020 APG AM has not recorded any breach with respect to the APG AM Approved Counterparty List. APG AM has taken sufficient measures and has several safeguards in place, such as the use of electronic trading where possible, in order to prevent trading with unauthorized counterparties.

## **Client categorization with respect to execution**

APG AM has categorized all of its clients as professional. Moreover, there is no differentiation in client treatment with regards to order execution arrangements.

## **Data usage**

To assess the quality of execution APG AM relies on its own trading systems, which includes a Transaction Cost Analysis tool (TCA). This tool selects various benchmarks in order to assess



execution factors. For financial products or asset classes for which the TCA tool is not available, another approach is taken. APG AM did not use data published under Delegated Regulation (EU)2017/575 other than is implemented into our TCA tool.

## **Summary of Analysis and Conclusions**

Securities Financing Transactions are used solely for cash management activities by APG AM. The cash management function for the APG AM Group is managed by the Treasury and Trading department. Each client is treated separately in accordance with our Best Execution policy. In 2020 the securities financing transactions were analyzed using a Profit and Loss (P&L) approach. The transactions for all clients were benchmarked against an end-of-day valuation. The P&L reports that were used are automatically generated and setup according to the APG AM Valuation Manual.

For 2020 no abnormal values were measured following such analysis.