



ANNUAL QUALITATIVE REPORT FOR INDIVIDUALLY MANAGED PORTFOLIOS

**INTEREST RATE DERIVATIVES -
SWAPS, FORWARDS AND OTHER INTEREST RATE
DERIVATIVES**

APG ASSET MANAGEMENT N.V.

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This document is the Annual Qualitative Report for Individually Managed Portfolios describing the execution assessment for the asset class *Interest Rate Derivative - Swaps, Forwards and Other Interest Rate Derivatives* only. This report does not include any data or conclusion with regard to the service of Collective Portfolio Management and *Interest Rate Derivative - Swaps, Forwards and Other Interest Rate Derivatives* transactions executed as part of this service. This document 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 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 2019:

- 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 2019 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 2019 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 Broker List.

During 2019 the following changes occurred.

Venues Added: BOFA Securities Europe SA, Cargill Financial Services Europe BV, Citigroup Global Markets Europe AG, HSBC France, JP Morgan AG, Natwest Markets NV, Credit Suisse Securities Sociedad de Valores SA, ICBC Ltd, MUFG Securities NV, Wells Fargo Securities Europe SA.

In 2019 APG AM has not recorded any breach with respect to the APG AM Approved Broker 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 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

In 2019 the interest rate derivative transactions for swaps were analyzed using a Profit and Loss (P&L) approach. The transactions for all clients were benchmarked against an end-of-day valuation. Because of the nature of the traded products the P&L for new transactions was close to par value (given normal market circumstances and plain vanilla orders). The

P&L reports that were used are automatically generated and setup according to the APG AM Valuation Manual.

For 2019 no abnormal values were measured following such analysis.