

# Annual Qualitative Report for Individually Managed Portfolios

15 April 2021

## Interest Rate Derivatives

Swaps, forwards and other interest rate derivatives

APG Asset Management N.V.

## Introduction

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.

## Contents

Execution Factors	4
Close Links, conflict of interest, common ownership and specific arrangements	4
Change of Venues	5
Client categorization with respect to execution	5
Data usage	5
Summary of Analysis and Conclusions	6

## 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 Broker List.

During 2020, the following changes have occurred.

Venues added: Barclays Bank Ireland PLC, Goldman Sachs BANK Europe SE, Morgan Stanley Europe SE

In 2020 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**

The strategy of splitting orders between different execution brokers allowed us to fully execute orders. Moreover, using different execution brokers enabled us to take full advantage of liquidity. We believe our broker selection was appropriate given the characteristics of the orders and market circumstances. In 2020 the Interest Rate Derivatives - Swaps transactions were analyzed using own trading data combined with market data.

For 2020 no abnormal values were measured.

Explicit costs for trading Interest rates derivatives Swaps, forwards, and other interest rates derivatives were invoiced directly to APG AM.