

## **Morningstar Investment Management Europe Ltd – Article 65(6) Portfolio Management – Reception and Transmission Report 2020**

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### **Introduction**

Directive 2014/65/EU in financial instruments (MiFID II) requires investment firms to annually summarise and publicly issue the top five execution venues, or brokers, used to execute client orders, as it pertains to trading volume, for the preceding year. This publicly issued information must cover each class of financial instrument traded and information on the quality of execution obtained. This report is entitled Article 65(6) Portfolio Management – Reception and Transmission Report.

### **Overview**

Morningstar Investment Management Europe Ltd (the Firm) provided investment management services to Professional Clients. The Firm does not serve any Retail Clients. The Firm has three business lines incorporating activities requiring the reception and transmission of orders. These are: the Managed Portfolio Service (“MPS”), which is a range of model portfolios only made available across 14 Platforms; the institutional business which provides bespoke, discretionary investment management services; and the delegated discretionary management of a regulated investment company with variable capital, comprising three sub-funds.

For the MPS business, the Firm builds model portfolios and carries out rebalancing exercises in line with its asset allocation procedures. Clients (FCA regulated Adviser Firms) select the model portfolio which best fits their investors’ goals and risk tolerance as well as the Platform providing access the portfolio.

The Firm operates under the ‘agent as client’ model, for the MPS business, resulting in no end investor visibility and consequently, the Firm is not able to ascertain details of the trades the platforms undertake, or the execution venues utilised. As a result, the MPS business is not within scope of this report.

For the Institutional business and the delegated discretionary management of the investment company with variable capital, the Firm transmits client orders to brokers for execution. It is the responsibility of the Firm to take sufficient steps to ensure the Firm’s clients receive best execution on a consistent basis. In such circumstances, the Firm monitors the quality of these executions to ensure they are in line with the Firm’s execution policy and that the Firm meets its obligations under the Directive to achieve the best possible result for its clients on a consistent basis.

### **Best Execution Summary**

In accordance with the MiFID II Level 2 Delegated Regulation (2017/565), as the Firm does not execute orders itself but instead, passes these orders to other entities for execution, the Firm is required to publish details, on an annual basis, about the top five brokers in terms of trading volumes used for trading each relevant asset class. In addition, information covering the quality of that execution is also included.

The asset classes in which the Firm deals in are units in collective investment schemes (“CIS”) and on very limited scope, Exchange Traded Funds (“ETFs”). Trades in CIS’s are not covered in this report as these are purchased directly from fund managers, rather than in a secondary market. Therefore, the Firm only provides disclosures in relation to its ETF trading activities.

The Firm uses a small number of selected brokers to execute ETFs due to the very low volumes traded and also their experience in trading ETF's. The Firm tends to trade in liquid ETF's, therefore the critical execution factors considered were as follows: 1. Price 2. Cost 3. Speed and likelihood of execution.

Brokers were selected on the basis of the above key factors. The relative importance, given to the execution factors by the brokers the Firm used, were in line with the Firm's Execution Policy.

The Firm has a broker approval process in place and a Conflicts of Interest Policy in order to minimise the risks of disadvantaging the Firm's clients. There are no close links, conflicts of interests, and common ownership with respect to the brokers used to execute orders. The Firm does not receive any form of remuneration, discount or non-monetary benefit for directing orders to a particular broker for execution. The selection of a broker for an order is driven solely by the factors highlighted above.

### Top 5 Brokers Table

<b>Class of Instrument</b>	<b>ETF</b>				
<b>Interaction</b>	<b>EXECUTION</b>				
<b>Client Type</b>	<b>Professional</b>				
<b>Notification if &lt;1 average trade per business day in the previous year</b>	<b>N</b>				
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of trades as a percentage of total in that class</b>	<b>Percentage of passive orders</b>	<b>Percentage of aggressive orders</b>	<b>Percentage of directed orders</b>
Hauck & Aufhauser Fund Services S.A. LEI: 529900C55XPLX8BWM794	31.3%	26.0%	Not applicable	Not applicable	100%
WINTERFLOOD SECURITIES LIMITED LEI: 8BRUP6V1DX3PIG2R0745	68.7%	74.0%	Not applicable	Not applicable	0%