

Evaluation of the quality obtained from the execution brokers in respect of bonds

This report is a summary of the analysis and conclusions drawn by Dragon Capital (Cyprus) Limited (hereinafter "Company") following a detailed monitoring of execution quality obtained from the execution brokers used by the company to execute orders in year 2018 regarding bonds. It shall be read in conjunction with the "Best Execution Analysis" tables.

In accordance with the company's Best Execution Policy where the Company executes an order on behalf of its client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs relating to execution, which shall include all expenses incurred by the client which are directly relating to the execution of the order, including broker fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

The Company, in the absence of specific client instructions covering all order parameters, considered the best broker for execution for each financial instrument when executing client orders in year 2018 on the total consideration basis. These brokers are evaluated by the Company on an annual basis.

Due to Company's specialization in Ukrainian Eurobonds/local UA bonds, issued by Ukrainian government and Ukrainian corporations, the Company operates and executes clients' orders in a limited market with lower liquidity and number of active players.

While determining relative importance of execution factors, the Company takes into consideration characteristic of the client (retail, professional, eligible), characteristics of the order (order size, price, limits and limitations), characteristics of the financial instrument, and characteristics of the execution broker to which order can be directed. The Company took into consideration the below execution factors and criteria in order to achieve the best possible result for client:

1. Price – brokers are examined for better market prices with thin spreads
2. Associated costs - brokerage commissions, fees and charges are assessed
3. Financial instrument depth – liquidity of financial instrument is assessed and compared with client order
4. Likelihood of execution – order size limitation– ability to execute order under prevailing market conditions
5. Likelihood of settlement – technical arrangements for settlement and allocation
6. Reliability and operational resilience

The Company, due to its specialization in Ukrainian Eurobonds/local UA bonds and operations in market with lower liquidity and number of active players, executes clients orders for these financial instruments through own book and through connected party – Dragon Capital LLC, local investment authorized under Ukrainian financial markets regulations to provide investment services. Clients' orders in these financial instruments are mostly smaller than standard market size of USD 150k – this condition significantly limits number of execution brokers. Company provides its clients execution for smaller than average orders.

The Company has no specific arrangements with any of the execution brokers regarding payments made or received, discounts, rebates or non-monetary benefits received. The Company did not receive any remuneration from any execution broker in 2018.

The Company regularly assesses market landscape to determine whether or not there are alternative brokers for client order execution.

The Company offers services to eligible, professional and retail clients. Services offered to Eligible Counterparties/Clients are still offered with the same level of skill and diligence as for professional and retail clients although no best execution obligations are owed to them. For clients classified as retail/professional clients the best possible result is determined in terms of "total consideration". Total consideration represents the price and the costs relating to execution.

In certain cases precedence over immediate price and cost consideration when executing retail client orders can be given to other criteria. Such criteria are: speed, likelihood of execution and settlement, the size and nature of the order, and any other related transaction costs. These criteria are used strictly under the provision of delivering the best possible result in terms of the total consideration to the Retail Client.

The Company utilizes reliable sources of market data (including exchange reports, Bloomberg) to evaluate the quality of the execution obtained for the clients, based on the information available.

The Company does not use output from consolidated tape providers established under Article 65 of Directive 2014/65/EU, but is considering such option for further enhancement of its monitoring over execution quality in the future.

Dragon Capital (Cyprus) Limited Team