

**Cairn Loan Investments LLP**  
**MiFID II Quality of Execution Annual Report**  
*1st January 2017 to 31st December 2017*  
**Report Date: 30th April 2018**

<b>Sub-classes of financial instruments included in this report</b>
<ul style="list-style-type: none"> <li>• <i>Bonds</i></li> <li>• <i>Foreign Exchange</i></li> </ul>

<b>General</b>
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Cairn Loan Investments LLP (“CLI”) is authorised and regulated in the United Kingdom by the Financial Conduct Authority (“FCA”) as a MiFID investment management firm which manages and sponsors European CLOs.

Investment firms are required to publish as part of the best execution requirements under MiFID II, on an annual basis, reports providing specific information on the quality of execution obtained for each financial instrument traded during the preceding year. There are 22 sub-classes of financial instruments provided under MiFID II and firms are required to disclose their trading volumes with different counterparties expressed as a percentage of (i) the firm’s total execution volume and (ii) the number of executed orders, in that particular sub-class of financial instrument. In addition, investment firms must provide a qualitative report summarising the conclusions drawn from their monitoring of the quality of execution.

This report provides the required qualitative information summarising the quality of indirect execution (placing orders with, or transmitting orders to, another entity for execution) undertaken by CLI in 2017, in the sub-classes of instruments detailed below. This report should be read with the accompanying quantitative disclosure report, which summarises the top five execution brokers used during 2017 for those sub-classes.

CLI has prepared this quality of execution annual report in accordance with the rules of the FCA and industry guidance. CLI’s execution disclosure reports only provide data on its relevant MiFID activities, in respect of indirect execution. The reports do not include any transaction activities where CLI traded directly with its counterparties (for example, on an OTC basis). As a result of this limited scope, the reports are not and should not be considered as being a full representation of CLI’s trading activities within the reporting period.

<b>Conclusions and Monitoring</b>	<p>CLI’s Best Execution Policy sets out the considerations, processes and procedures used by CLI to comply with the regulatory obligation to achieve best execution when undertaking investment transactions for clients. CLI will generally not invite specific instructions from clients as to how an individual transaction should be effected but, in a case where a client gives a specific instruction to CLI, CLI’s Best Execution Policy will not apply for those aspects of the execution relating to the specific instruction. This situation should, however, be rare since CLI’s primary activity is to act as a sponsor and discretionary investment manager of CLOs.</p> <p>When undertaking transactions during the period covered by this report in the sub-classes of financial instruments detailed above, CLI acted in the best interests of its clients and in accordance with its Best Execution Policy. When placing or transmitting orders in these</p>
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	<p>sub-classes of financial instruments, CLI took all reasonable steps to obtain the best possible results, taking into account the execution factors discussed below. For the clients/accounts within the scope of this report, CLI did not undertake transactions in the other 20 sub-classes listed under the MiFID II RTS 28 reporting requirements and, as such, there is no broker data to be provided in respect of those sub-classes.</p> <p>CLI monitors the effectiveness of its best execution arrangements to identify and, where necessary, correct any deficiencies and there were no deficiencies identified during the period covered by this report. CLI's policy is that no single counterparty will be favoured compared to other counterparties, unless it can be demonstrated that the execution factors discussed below consistently favour such a counterparty, such as, for example, consistently providing better pricing than its competitors. CLI monitors whether the brokers and counterparties used by it provide the best possible result for its clients and whether changes to CLI's execution arrangements are required. There were no material changes to CLI's execution arrangements during the period covered by this report.</p>	
	<b>Summary analysis</b>	<b>Conclusion</b>
<b>Execution factors</b>	<p>When seeking to undertake a transaction on behalf of clients, CLI takes into account a wide variety of execution factors relevant to the transaction, including:</p> <ul style="list-style-type: none"> <li>• price;</li> <li>• costs;</li> <li>• speed;</li> <li>• likelihood of execution and settlement;</li> <li>• size of the transaction;</li> <li>• nature of the transaction;</li> <li>• margin/collateral terms;</li> <li>• timing of execution; and</li> <li>• any other consideration relevant to the execution of client transactions.</li> </ul> <p>In determining the relative importance of these factors CLI takes into account its client's status as a professional client and the objectives, investment policy and risks specific to the client, the nature and characteristics of the transactions, the characteristics of the financial instruments or other assets to which the transaction relates, and the characteristics of the execution venues to which transactions can be directed.</p>	<p>During the period covered by this report, CLI's execution process was based on these execution factors and criteria, as detailed in its Best Execution Policy.</p> <p>CLI will generally give the highest priority to total consideration, representing the price of the relevant financial instruments and the costs related to execution (including all expenses incurred by clients of CLI which are directly related to the execution of a transaction, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the transaction). However, CLI may at its discretion prioritise other factors, including the impact on market prices of executing transactions, the speed and likelihood of execution, collateral/margin terms and the availability of price improvement. CLI may prioritise such other factors where there is insufficient immediately available liquidity on the relevant execution venue(s) to execute transactions in full or where it determines that there are other circumstances such that obtaining the best immediately available price may not be the best possible result for its clients.</p>

<b>Close links, conflicts of interest and common ownership with respect to execution venues/brokers</b>		CLI has no close links, conflicts of interest and common ownership with respect to any execution venues/brokers to report.
<b>Specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received</b>		CLI has no such specific arrangements to report.
<b>Factors leading to a change in the list of execution venues/brokers listed in the order execution policy</b>		There were no changes to the list of execution venues/brokers in CLI's Best Execution Policy.
<b>Differentiation across client categories</b>	All of CLI's clients are professional clients and it is not authorised to conduct investment business with retail investors.	There has been no differentiation across client categories during the reporting period.
<b>Use of third party data/tools relating to quality of execution</b>		CLI has not used any third party data or tools relating to quality of execution.
<b>Use of consolidated tape provider output</b>		CLI has not used output from consolidated tape providers.