

EXECUTION QUALITY

Neonet provides high quality execution for its clients by utilizing advanced Smart Order Routing technology and offering access to both primary markets and Multilateral Trading Facilities. Neonet's execution quality is continuously measured and validated by an independent, third party analytics provider. Execution quality has a direct impact on the cost basis of a trade, affecting both performance and the bottom line. As a result, the quality of the execution is one of the most critical factors in evaluating an execution service provider, especially as execution costs continue to decline.

BENCHMARKING AGAINST THE EUROPEAN BEST BID AND OFFER (EBBO)

The performance of Neonet's Smart Order Router (SOR) was measured by IFS LiquidMetrix and benchmarked against European Best Bid and Offer (EBBO). Results reveal that Neonet's SOR performs very favorably against this industry standard.

CAPTURING THE EBBO SPREAD

A common goal in achieving best execution is to capture as much of the EBBO spread as possible. The success rate in capturing the spread is represented in basis points or as a percentage.

THE VALUE OF FULL MARKET ACCESS AND ADVANCED SMART ORDER ROUTING

Greater market access, which includes trading in both the primary markets and Multilateral Trading Facilities (MTFs), can lead to further improvements in execution quality. According to LiquidMetrix results, the ability to aggregate liquidity across more venues results in higher quality execution than executing only in the primary markets.

Furthermore, more passive trading, rather than aggressive liquidity taking, can improve the likelihood that one can capture as much as 50% to 100% of the spread. Executing at the mid on a dark venue allows for a 50% spread capture and executing more passively, taking on more risk over time and utilizing advanced SOR technology can help to capture as much as 100% of the spread.



RESULTS

These results were compiled over three weeks of trading during 2012.

As per the execution performance summary example for Swedish shares (table 1), Neonet:

- Executes within EBBO at a rate of 99.88%.
- Gives an average improvement compared to EBBO of 4.57 bps by capturing 46.88% of the spread.
- Has an implementation shortfall (improvement potential) of just 0.01bps for its SOR.

Performance summary	% By # of Trades	% By Value Traded
Percentage Success	99.76%	99.88%
Percentage Better	55.21%	59.18%
Percentage Equal	44.51%	40.60%
Percentage Worse	0.24%	0.12%
Not Benchmarked (N/B)	0.04%	0.10%
Average Improvement/Shortfall Value		4.57 BPS (SEK 1,626,139)
Spread Capture		46.88%
SOR Improvement Potential Value		0.01 BPS (SEK 2,853)

TABLE 1

Performance summary	Bps imp. compared to EBBO	Bps imp. compared to primary only	Difference in improvements (bps)
Sweden	4.57	5.16	0.59
Norway	6.42	6.69	0.27
Finland	28.20	28.70	0.50
Denmark	7.44	7.80	0.36
Germany	2.93	3.75	0.82
United Kingdom	2.66	3.18	0.52

TABLE 2

Analysis of LiquidMetrix data show that utilizing Neonet's SOR and not just crossing the spread provided a 4.57 bps improvement over the EBBO in Sweden and 2.93 bps improvement in Germany. Furthermore, by having access to both, primary markets and MTFs, Neonet's execution was 0.59 bps better in Sweden and 0.82 bps better in Germany than only accessing the primary markets. Table 2 shows a summary of the data for selected European markets.

SUMMARY

As demonstrated by third party analytics, utilizing Neonet's advanced SOR technology can significantly improve execution quality. Additionally, having broader market access and aggregating liquidity from both primary markets and MTFs can further improve trading performance. Partnering with

Neonet allows clients to benefit from Neonet's 15 years of experience providing execution services and as a technological innovator, as well as achieving higher quality execution for themselves and their clients.

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