

ASSET MANAGEMENT

**BEST
EXECUTION
DISCLOSURE
STATEMENT**



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INTRODUCTION

In accordance with regulatory obligations in the Financial Conduct Authority (FCA) Conduct of Business Sourcebook (COBS), Royal London Asset Management Ltd (RLAM) is required to establish and implement an Order Execution Policy (the Policy) which ensures it obtains the best possible result for its clients when dealing in financial instruments (as defined in the FCA Handbook). The following is a summary of RLAM's Execution and Allocation Policy which satisfies the FCA's requirements for the Policy.

Scope

This Policy only applies to Professional Clients when RLAM is dealing in financial instruments and either:

- i. receives and transmits client orders and/or
- ii. executes orders on a client's behalf.

Overview of Best Execution

Best execution is the way in which RLAM pursue all practical steps in order to achieve the best possible outcome for each transaction undertaken on behalf of our clients. The list below contains a non-exhaustive list of execution factors which we consider and take into account in analysis of whether we and our execution venues (see Appendix 1) are delivering best execution.

Across all asset classes, we take into account both quantitative and qualitative factors when determining best execution. We routinely consider the available execution venues as part of its order execution process, using our industry experience, expertise and judgement in light of available market information. This applies to all types of financial instrument. Factors that we consider include, but are not limited to:

- the price paid for the investment
- costs incurred as a result of the transaction being placed
- the speed at which we are able to complete the transaction
- the likelihood of being able to place and settle the transaction
- the size of the transaction
- the nature of the transaction.

Generally, price and dealing costs will be the primary considerations, but the likelihood of execution, financial status and solvency of the counterparty will also be considered when selecting the appropriate venue. There may be circumstances where other considerations may dominate. The Dealer will determine the relative importance of the execution factors by using their commercial judgement and experience in light of market information, taking into account the characteristics of the client, the order, the instrument and execution venues to which that order can be directed. While price will ordinarily merit the highest relative importance, variables such as breaking news and security liquidity may require the trader to prioritise other execution factors which we determine relevant to acting in the client's best interests. These may only be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result

in terms of the total consideration to the client.

We may cross trades between clients, where this is appropriate to best execution; this is undertaken using an independently verified mid-price or end of day mid where appropriate. Cross trades are only carried out where they are deemed to be in the best interest of both the buyer and the seller.

Initial Public Offering (IPO)

An important source of liquidity in the fixed income and equity market is the new issuance of securities. The purchase of bonds or equities at their issuance takes place either through a broker or market maker or from the lead manager in the issuing syndicate. Therefore, there is often little or no choice to select a specific counterparty for such transactions. Prior to the purchase of a new issue, the Portfolio Manager will determine the maximum price for which they are willing to buy the securities. The lead manager will then confirm the final allocation for the trade.

If we are given specific instructions by a client to execute a trade we will execute the order in accordance with that specific instruction. Any specific instruction from a client may prevent us from performing some or all the procedures that have been devised and implemented as part of the Policy.

Only those counterparties and venues that will allow us to provide best execution on behalf of our clients are chosen. Prior to any trading all of our counterparties are subject to due diligence and approval procedures. The list of approved counterparties and venues used to execute trades on behalf of our clients is available on request.

Considerations For Best Execution By Instrument Type

1 - EQUITIES

RLAM's Centralised Dealing Desk deals with all equity trades. Equity futures are traded by various authorised members of the investment teams in accordance with agreed procedures and policies. We take all sufficient steps to obtain best execution, taking a number of factors into account, including, but not limited to, those listed in the section Overview Of Best Execution.

It would always be our intention to use a regulated market or multilateral trading facility (MTF) in order to transact client orders. Where we do not, it is because such a regulated market does not exist. In those circumstances where we do not use the regulated market or MTF, it will be because we judge explicitly that to do so will be in the best interests of the client in terms of achieving best execution.

In the majority of single stock orders, liquidity is considered as the most important factor, due to the relatively high average daily volume (ADV) nature of our trades. Other factors we take into particular account include price, trading costs and the size of the trade. Where appropriate, programme trading may be used to execute a large number of trades in single or multiple markets across one or more accounts, which can reduce transaction costs.

Other factors may arise and are addressed according to the relevant circumstances at the time.



Dark Pool Trading

Dark pools may be accessed either directly or indirectly (through counterparties) as a source of liquidity.

2 - FIXED INCOME

Transactions in fixed income instruments are executed primarily by the dealers on RLAM Centralised Dealing Desk and in limited circumstances various authorised members of the teams in accordance with agreed procedures and policies. In all cases, our commitment to take all sufficient steps to obtain best execution applies. Many fixed income instruments are traded 'off exchange', so we will deal directly with the counterparty.

We invest across the full spectrum of fixed income markets and dealers tailor the trading approach on the specific aspects of each asset type.

In achieving best execution, we may transact through the following different channels:

- electronic trading platforms
- direct dealing with counterparties
- agency brokers (counterparties who do not take principal positions)

In addition to the general factors listed before, we take into account market axes (disclosed positions of counterparties) and trading hours. In certain circumstances best execution may be achieved through acceptance of a bid/ offer without soliciting wider price discovery (i.e. three quotes). A wider price discovery would be detrimental, by informing other market participants of our actions.

It is at dealer discretion when, how and with which counterparty we trade with, in general for sovereign bonds, money markets price will be main the main factor and competitive quotes will be sought. However where we trade in large size or in less liquid securities the ability to transact that size may take priority, in some instance a single counterparty may be given a block to work. Counterparties in these instances will be selected based on their track record and expertise in the particular market.

The regulatory requirement is for RLAM to take all sufficient steps to achieve the best possible result on a consistent overall basis. Within this there may be outliers.

3 - DERIVATIVES (EXCLUDING FOREIGN EXCHANGE)

RLAM trades in a range of derivatives including but not limited to equity, interest rate, fixed income, currency, property and commodity instruments. Derivative types transacted include but are not limited to futures, forwards, options, swaps and hybrid/ exotic derivatives.

In achieving best execution, we take into account the general factors listed previously, in addition to other relevant circumstances at the time. The most important factor is the total consideration, with adjustments made for the credit risk and existing exposure of the counterparty. The price offered by the counterparty includes

factors such as liquidity, speed, size and market impact. We use our judgment and experience in light of all other relevant market and client factors, to assess competing counterparties' price, credit risk and exposure. In general, we obtain a minimum of three quotes prior to all derivative transactions.

Where a derivative transaction is paired with a non-derivative transaction as part of the same strategy, the non-derivative transaction shall also be considered for best execution under the Policy.

Internal crossing trades between clients and funds are not permitted for over the counter (OTC) or exchange traded derivatives (ETD) transactions.

Exceptions to the Policy specific to derivatives:

- for transactions substantially larger than standard market size trading may occur on a single quote
- exchange traded futures and options do not operate on a 'request for quote' market. Generally, execution is offered at a 'best price' facility. For rolling futures contracts and block trades, for which prices are transparent on an exchange, only a single quote may be requested in order to avoid the risk of alerting the market
- where futures are traded to hedge cash if a trade is deemed too large to execute at a single point in time, then it will be executed in stages. This will minimise market impact and achieve a price that will not unduly impact the fund's tracking error.

4 - FOREIGN EXCHANGE (FX)

Generally electronic trading platforms are used to execute FX transactions. In exceptional circumstances we may execute transactions directly with a counterparty outside the electronic trading platform in order to obtain best execution.

We ensure that trades are executed using the best quote available from our approved counterparties. We transact only with approved counterparties, and within client restrictions on counterparties. RLAM uses MTF's to execute most foreign exchange trades. RLAM can delegate the transaction of foreign exchange to the funds custodian where appropriate.

For certain activities, we may enter into an agreement with the custodian to enable 'auto FX', where execution responsibility is outsourced, e.g. for converting foreign currency dividends into an elected currency. Such agreements are monitored continually.

5 - COLLECTIVE INVESTMENT SCHEMES (CIS)

When dealing in units or shares of a third party's CIS (regulated or unregulated), we execute directly with the investment manager on terms negotiated at the commencement of the relationship.

Overview of Order Allocation

For aggregated orders, we will usually allocate on a pro rata basis for all types of trade. In every instance that an allocation other than pro rata is used, we will take reasonable steps to ensure that any

allocation is in the best interests of all clients concerned. Situations in which we may allocate on a basis other than pro rata include but are not limited to:

- where an allocation may be to the detriment of one of our clients
- where a new portfolio is being built, with regard to specified sector and stock weightings
- where an allocation would be in breach of any trust deed or client agreement, or against the relevant client's instructions.

Where a transaction has been completed and customers can be satisfied in full, the actual allocation will be in accordance with the intended allocation.

The above applies for all asset classes and instruments except for the following exceptions:

Monitoring and Oversight Framework

We conduct a range of monitoring activities to ensure that best execution is being achieved on a consistent basis across all financial instruments in scope and their execution factors, in line with this policy. The dealing team is responsible for executing orders in accordance with this policy. Our Compliance teams also monitor and oversight is provided by the Best Execution Review Group (BERG) who meet at least 4 times a year.

Monitoring of the Policy

Our approach to dealing rules in relation to execution, allocation and aggregation of deals is regularly monitored to ensure that the interests of our clients are properly protected.

Review of the Policy

RLAM will keep this Policy under constant review and carry out a formal review at least annually.

Best Execution Disclosure Statement

Appendix 1

Details of our most significant counterparties/venues are set out below:

Equity	Crossing Networks/ Electronic Trading	Bonds and Loans	Cash	Exchange Traded Derivatives (Execution Broker)	OTC Derivatives	FX/FFX
ABG	Bloomberg	ABG Sundal Collier	BANK OF AMERICA SEC	BAML	Barclays	Barclays
BARCLAYS	Cantors	Arctic Securities		Goldman Sachs	Citigroup	HSBC
BERENBERG	ICAP	Australia & New Zealand Banking Group	Barclays	HSBC	Credit Suisse	JP Morgan
CANACCORD	ICAP SECURITIES LTD	Autonomous Research	BGC Partners	JB Drax Honore	Goldman Sachs	Morgan Stanley
CANTOR FITZGERALD	ITG Europe	Bank of America	BNP Paribas	JP Morgan	HSBC Bank	Societe Generale
CARNEGIE	Liquidnet	Barclays	CITIGROUP UK	Nomura	JP Morgan	Standard Chartered
CENKOS	Market Axess	BGC Partners	Credit Agricole SA	UBS	Morgan Stanley	
CITIGROUP	Tradeweb	BNP Paribas	Credit Industriel et Commercial		UBS	
CREDIT SUISSE FIRST		Canaccord Genuity	CREDIT SUISSE FIRST			
DEUTSCHE		Cantor Fitzgerald Europe	Daiwa Capital Markets Europe Ltd			
FIDENTIS		Carnegie Investment	DEUTSCHE BANK			
FINNCAP		Chalkhill Partners LLP	DZ Bank AG			
FORTIS		Citigroup	First Abu Dhabi Bank			
GOLDMAN SACHS		Commerzbank	GOLDMAN SACHS			
GOODBODY		Credit Agricole Corporate & Investment Bank	HSBC			
HELVEA		Credit Suisse	ICAP SECURITIES LTD			
HSBC		Daiwa Capital Markets Europe Ltd	ING Bank NV			
INVESTECH		Danske Bank London	JP MORGAN CHASE & CO			
ITG		Deutsche Bank	KING AND SHAXSON			
JEFFERIES		DNB NOR BANK ASA	Landesbank Hessen-Thuringen			
JP MORGAN		GFI SECURITIES LTD	Lloyds Bank			
Equity	Crossing Networks/ Electronic Trading	Bonds and Loans	Cash	Exchange Traded Derivatives	OTC Derivatives	FX/FFX
KEPLER CHEUVREUX		GMP SECURITIES EUROPE	Mizuho Bank Ltd			
LIBERUM		GOLDMAN SACHS	Nationwide Building Society			
LIQUIDNET		GUY BUTLER LTD	Rabobank			
MACQUARIE		HSBC	ROYAL BANK OF SCOTLAND			
MAIN FIRST BANK		IMPERIAL CAPITAL	Santander UK plc			
MERRILL LYNCH		Ing Bank	Societe Generale S.A.			
MIRABAUD		JEFFERIES INTERNATIONAL LTD	Svenska Handelsbanken AB			
MORGAN STANLEY		JP MORGAN CHASE & CO	Tradition			
NPLUS1 SINGER		KING AND SHAXSON	Wells Fargo			
NUMIS		LIQUIDNET FIXED INCOME				
PANMURE		Lloyds Bank				
PEEL HUNT		MarketAxess Europe Limited				
REDBURN		MERRILL LYNCH ML				
ROYAL BANK OF CANADA		MITSUBISHI UFJ FINANCIAL GROUP				
SANFORD C BERNSTEIN		Mizuho Bank Ltd				
SG SECURITIES		Morgan Stanley				
SHORE CAPITAL		National Bank Financial				
STIFEL		NATIXIS				
UBS		NOMURA INTERNATIONAL				
WINTERFLOOD		ODDO Securities				
		Oppenheimer Europe Ltd - OPP				
		PARETO				
		PEEL HUNT & CO LTD				
		Robert W Baird & Co Inc - RBW				
		ROYAL BANK OF CANADA				
		ROYAL BANK OF SCOTLAND				

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