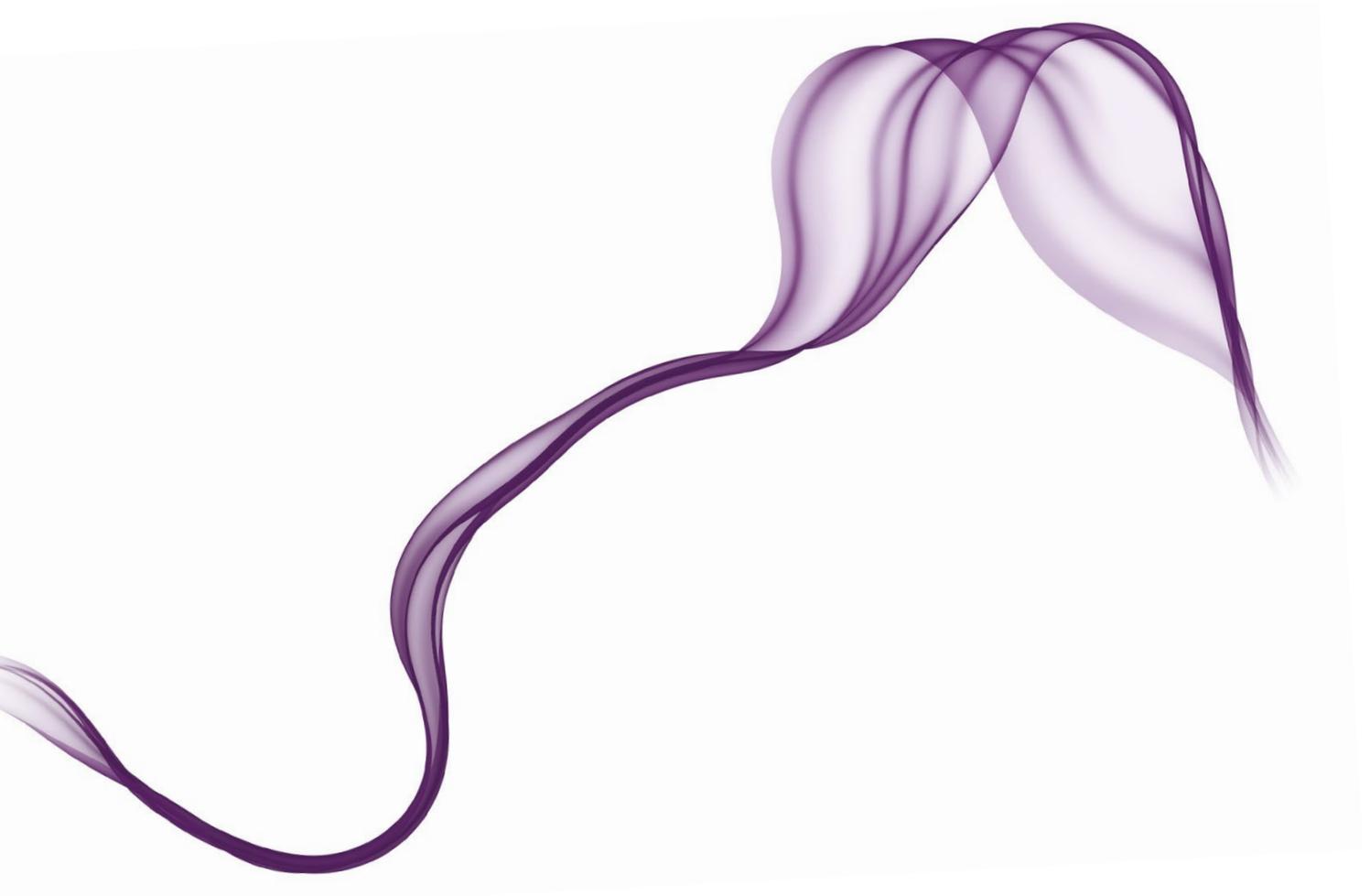


Best execution disclosure statement



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Introduction

Royal London Asset Management (RLAM) invests in various asset classes including, equities, bonds, foreign exchange, futures, securities financing, swaps and other derivative instruments on behalf of our clients, as part of the investment management services that we provide.

Scope

Best execution is the way in which we pursue all practical steps in order to achieve the best possible outcome for each transaction undertaken on behalf of our clients. This Policy applies to RLAM, we manage segregated mandates on behalf of institutional clients and delegated portfolio management services on behalf of other Royal London Group companies. Investments are made on behalf of professional clients only.

Direct responsibility for best execution

When executing orders on a client's behalf RLAM is directly responsible for best execution. Examples of this include:

- trading directly in the market as a participant in a Multi-Lateral Trading Facility or an Organised Trading Facility; and
- in broker/dealer markets where RLAM request brokers or other counterparties to quote prices (this includes bond trades, over-the-counter derivatives and some types of foreign exchange transactions).

Indirect responsibility for best execution

When we place or transmit orders for clients we rely on brokers or other counterparties to execute orders on an agency basis with the same level of fiduciary responsibility. In these circumstances, RLAM is responsible for oversight and monitoring of the quality of broker or other counterparty execution.

When best execution is limited

Where we are following a specific client instruction our ability to achieve best execution will be restricted (for example, where the instruction requires the use of a specific counterparty). 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.

Execution venues

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 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 (Appendix 1). RLAM is not affiliated with and has not entered into any agreements with any trading counterparty with regard to trading volumes or commitments.

There will be occasions when achieving the best possible result requires executing the order outside a Regulated Market, MTF or OTF. Clients consent to RLAM acting under discretion in such circumstances by demonstrating acceptance of this Policy.

- A Multilateral Trading Facility (MTF) is a system that brings together multiple parties (e.g. retail investors or other investment firms) that are interested in buying and selling financial instruments and enables them to do so. These systems can be crossing networks or matching engines that are operated by an investment firm or a market operator. Instruments may include shares, bonds and derivatives.
- An Organised trading facility (OTF) is a multilateral system, which is not a regulated market or MTF and in which multiple third party buying and selling interests in bonds, structured finance products or derivatives are able to interact in the system in a way which results in a contract.

Execution factors

The list below contains a non-exhaustive list of execution factors which we consider and take into account in analysis of whether we 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
- the size of the transaction
- the speed at which we are able to complete the transaction
- costs incurred as a result of the transaction being placed
- the likelihood of being able to place and settle 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.

Other execution scenarios

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.

Crossing trades

In some circumstances, where this is appropriate to best execution, RLAM may cross trades between clients, whereby a security is sold from one client to another. Cross trades are only carried out with an external counterparty in accordance with internal procedures where they are deemed to be in the best interest of all participating clients, such benefits include minimised transaction costs and reduced market impact.

Considerations for best execution by instrument type

1 Equities

All equity trades, including equity futures, are executed, placed or transmitted by RLAM's Centralised Dealing Desk. We take a number of factors into account, including, but not limited to, those listed under Execution factors. We will use our experience and judgement in light of the available market information, characteristics of the client, client order and available execution venues or counterparties in determining the relative importance of execution factors. It would always be our intention to use a regulated market or 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.

Programme trading

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.

Risk trades

Risk Trading is where a counterparty will take a position on its book to provide liquidity in a stock. We utilise this function to provide a minimum starting point in an order or when we are trying to match a particular time.

Passive funds

For the passive funds an important aim is to meet the funds objectives as specified for example in the IMA or prospectus which may include an aim to track a benchmark. To fulfil this aim a number of strategies are available. Dealers have the option of working orders using experience and judgement to minimise market impact whilst aiming to achieve a price which will not unduly impact the tracking error of the fund.

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 obtain best execution applies.

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)

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 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.

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.

There is a separate RLAM Derivatives Policy which details all of our approved derivatives instruments, venues (markets) and counterparties.

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.

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 this Policy.

Crossing trades between clients and funds are not permitted for over the counter (OTC) or exchange traded derivatives

(ETD) transactions. In general, we obtain a minimum of three quotes prior to all derivative 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 so they remain appropriate to best execution.

5 Securities financing transactions

For certain clients, transactions under repurchase agreements, reverse repurchase agreements and stock lending agreements are executed with funding counterparties and approved brokers.

SFTs provide a source of liquidity and/or cash management subject to a commitment that the borrower will return equivalent securities on a future date. The terms of these transactions are defined bilaterally under legal documentation ahead of execution. Therefore the choice of execution venue for SFTs is more limited than other transactions given the dependency on agreement terms and specific demand for the financial instruments involved.

The key criteria in selecting a SFT counterparty will typically consider a range of factors including:

- stability in financing profile;
- transaction terms including interest rate and any applicable margin or haircut;
- size of transaction;
- counterparty exposure;
- credit rating.

RLAM will maintain a number of approved counterparties with limits assigned and conduct a qualitative assessment of order flow, treating SFTs as a distinct execution strategy given the specific nature of this type of transaction.

6 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

Comparable orders are generally aggregated and then executed as a combined block. At the time of placing an order, a record of the intended split between individual customers or funds is detailed providing confirmation of the client's name and the respective nominal amount. Where a transaction has been completed and customers can be satisfied in full, the actual allocation will be in accordance with the intended allocation.

Where an aggregated order is not executed in full, we will usually allocate on a pro rata basis for all types of trades. 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:

- no allocation will be made in breach of any trust deed or customer agreement, or against any relevant customers' instructions.
- where a new portfolio is being constructed consideration will be given to desired underlying stock and sector weightings when determining allocations.
- where an allocation may be to the detriment of one of our clients.

The above applies for all asset classes and instruments except for OTC Derivatives.

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 perform monitoring 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.

Appendix

Fixed income (bonds, cash and loans)	Equity	Exchange traded derivatives (execution broker)	OTC derivatives	FX/FFX	SFTs (Repo)	Electronic trading venues (crossing networks)
Banco Bilbao	Atlantic Equities	BAML	Barclays	Barclays	Bank of Nova Scotia	Bloomberg
Barclays	Barclays	Barclays	BAML	HSBC	Barclays	FX Connect
BAML	BAML	Citigroup	BNP Paribas	JP Morgan	BNP Paribas	ICAP TrueQuote
BOG Brokers	Berenberg	Flow Traders	Citigroup	Nomura	Citigroup	Liquidnet
BNP Paribas	BTIG	Goldman Sachs	Credit Suisse	Standard Chartered	HSBC	MarketAxess
Canaccord Genuity	Canaccord Genuity	HSBC	Deutsche Bank		JP Morgan	Tradeweb
Citigroup	Cantor Fitzgerald	Jane Street Financial	Goldman Sachs		Royal Bank of Canada	
Credit Agricole	Citigroup	Nomura	HSBC		Santander	
Credit Suisse	Cowen	Optiver	JP Morgan		Toronto Dominion	
Daiwa	Credit Suisse	Sucden Financial	NatWest Markets			
Danske Bank	Goldman Sachs	UBS	Morgan Stanley			
Deutsche Bank	Goodbody		UBS			
DZ Bank	HSBC					
Goldman Sachs	Investec					
HSBC	Jefferies					
ICAP Securities	JP Morgan					
ING Bank	Kepler Cheuvreux					
Jane Street	Liberum					
Jefferies	Liquidnet					
JP Morgan	Macquarie					
KBC Bank	Mizuho					
Landesbank (LHT)	Morgan Stanley					
Liquidnet	N+1 Singer					
Lloyds Bank	Numis					
MarketAxess	Panmure Gordon					
Mizuho	Peel Hunt					
Morgan Stanley	Redburn Europe					
Nationwide	RBC					
Natixis	Sanford C Bernstein					
NatWest Markets	Shore Capital					
Nomura	Societe Generale					
Nordea Bank	Stifel Nicolaus					
Pareto	UBS					
Rabobank	Winterflood					
RBC						
Robert W Baird						
RW Pressprich						
Santander						
Scotiabank						
Seaport Group						
Societe Generale						
Standard Chartered						
Stifel Nicolaus						
Toronto Dominion						
Tradition						
Tullett Prebon						
UBS						
UniCredit Bank						
United Overseas Bank						
Wells Fargo						
Westpac						

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For more information about our range of products and services, please contact us.

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