

## Aegon Asset Management UK – Introduction

This policy is the “order execution policy” for the purposes of the Financial Conduct Authority (“FCA”). It also sets out our approach to order aggregation, allocation and narrates the approach Aegon Asset Management UK (hereafter AAM UK) will take to providing best execution to our clients across all of our asset classes.

Best execution is simply a process to achieve the best trading outcome for our clients. To achieve best execution we must understand and control the entire lifecycle of an order.

From our offices in Edinburgh and London, the principal service we provide to our clients is that of investment management. We provide this service by managing portfolios on behalf of our clients. This service involves executing investment decisions. This policy sets out our approach to delivering our aim of consistently executing deals on the best terms for our clients, having balanced various factors, some of which may conflict.

In formulating this policy and our overall approach to best execution, we have considered the conflicts of interest which may arise. For further information, please also see Conflicts of Interest policy.

We manage assets on behalf of UK and international clients, including pension funds, government agencies, financial and other institutions, wealth managers, family offices, financial advisers and individual investors. AAM UK manages money on behalf of clients through various strategies, (including multi-asset, absolute return and ethical) in the following asset classes:

### Fixed Income

We invest across the full spectrum of fixed income markets. We follow a process which is based on rigorous research, robust risk management and a balanced approach to generating returns for our clients.

### Equities

We offer our clients a range of actively managed UK, regional and global equity portfolios. Our UK funds, which we offer across the market capitalisation range, represent a core area of our equities expertise. Our capabilities include multi-cap, smaller companies, absolute return, ethical and unconstrained investing. We also have a growing reputation in international equities, where our team manages a range of regional and global funds investing for both growth and income.

### Property

We offer direct property investment through segregated and pooled funds, including our Property Income Fund and Active Value funds. Our highly regarded Indirect Property Service offers multi-manager discretionary and advisory solutions for institutional investors. We also work with selected partners in specialist areas such as healthcare.

### Cash

We manage investments in cash and money market instruments via pooled and segregated portfolios. All cash strategies seek a balance between return, liquidity and counterparty risk. We also manage transient cash for our other portfolios using a similar approach.

### Foreign Exchange

We instruct foreign exchange transactions, where necessary, to hedge our exposure to different currencies or to allow transactions between currencies to take place. In addition we manage FX as an asset class in its own right in certain mandates.

### What is AAM UK’s best execution obligation and how will we satisfy that obligation?

We must take all sufficient steps to obtain, when executing orders on our clients’ behalf, the best possible results, taking into account our execution factors (see below for an explanation of these). The consistent

delivery of the best possible result when executing client orders is called “Best Execution”. We will always act in the best interests of our clients in providing Best Execution.

The principal service AAM UK provides to its clients is the provision of investment management. In providing that service, we will execute orders on behalf of our clients by investing or disinvesting clients’ money. Investments may be in equities (shares, typically listed on a stock exchange), bonds, derivatives (whether exchange traded or “over the counter”) or property (physical real estate (“Direct Property”), or securities of funds which invest in physical real estate (Indirect Property)). When executing orders (either directly or by instructing third parties to execute orders on our behalf), we must ensure that we consistently obtain the best possible results, taking into account the different execution factors so far as they apply to each asset class.

The process by which we deliver Best Execution will vary from asset class to asset class and this policy intends to describe what those factors are, how we rank them and how we will provide best execution to clients in each of our asset classes. Our policy is to use different processes across the different asset classes because each asset class will invest in a different type of financial instrument and may use different execution venues. Please see the paragraphs below describing the ways we trade across different asset classes in Appendix 1 for more information.

We will constantly assess which venues are most likely to provide the best possible outcomes for our clients on a market by market and asset class by asset class basis. We may choose to use one venue or several, depending on achieving the best outcome for our clients.

This policy covers all trading that AAM UK carries out on behalf of its clients.

### **What execution factors does AAM UK take into account for its clients and how does AAM UK rank those factors?**

The execution factors are the price at which we can trade, the cost of trading, the speed at which we can trade, the likelihood of execution and settlement, the size of the order, the nature of an order and any other consideration relevant to the execution of an order (for instance, the liquidity of the market or venue on which we are trading, or whether the order is being traded on-exchange or “over-the-counter” (off exchange)). When assessing these factors, we will already have taken into account the relevant client(s)’ categorization, the characteristics of the order, the characteristics of the financial instrument that is the subject of the order and the characteristics of the execution venues to which the order can be directed.

Obtaining the best price for each trade will be a significant factor in all of our trading. Cost will typically also be a major consideration, whether of the individual trade or the market or venue on which each trade is conducted. In addition, in order to deliver the best possible result, we may also consider the speed of the transaction, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs over the immediate price and costs considerations.

While we ordinarily expect price to have the highest degree of importance, particularly for our fixed income and equities investments, the process for determining the relevant importance of each factor will typically depend on the circumstances and on the fund manager’s objectives. This will dictate which of the execution factors will ultimately take precedence. Execution will also be influenced by market conditions at the time. In property (direct or indirect), price when selling is not always the over-riding factor. The likelihood that the counterparty will perform its obligations (principally, delivery of purchase price) is also very important and the manager may be willing to accept a lower price for the sale of a property or property security if it is felt that the likelihood of performance justifies it. Our Property investments may also not always use price as the major factor; please see the paragraphs under the heading “In what circumstances might AAM UK deviate from this policy or its normal processes?” below for more details.

Please see the paragraphs below describing the ways we trade across different asset classes in Appendix 1 for more information.

## **What execution criteria apply and how does AAM UK consider those criteria for the purposes of delivery of Best Execution?**

The different investment desks will attract the clients who wish to gain exposure to the types of investment being managed by that desk. Accordingly, the characteristics of our clients (their investment exposure and returns focus) will determine the characteristics of the financial instrument to which they will gain exposure and the venue to which the order can be directed – the nature of the instrument being traded will determine how it can be executed and on which venue. These factors together are the biggest determining factor in how Best Execution is delivered for those clients.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for our clients. In our experience, the next most important factor after price is typically the size of the order and available liquidity, followed by speed of execution. However, in certain circumstances, for some orders, financial instruments or markets we, using our discretion, may decide that any of these factors, or other factors, may be more important in determining the best possible execution result in accordance with our order execution policy. In those circumstances, we may choose what to prioritise according always to what is most likely to achieve the best possible results for our clients.

## **In which circumstances will AAM UK merge or aggregate orders?**

In relation to our businesses other than Direct Property, merging orders may avoid delays in execution and keep costs to a minimum. Accordingly, we may group orders together so that trades for a number of clients in a certain instrument are executed together. In these circumstances, individual merged trades may operate to the disadvantage of certain clients on individual transactions, but in all cases, we will treat our clients fairly when aggregating orders. If merged orders cannot be fully executed, the financial instruments will (so far as material and subject to market constraints) be allocated to clients in proportion to the size of the relevant client's interest comparative to the size of the original order(s).

## **Crossing Trades**

In certain circumstances, we may decide to "cross" trades, i.e. trade between portfolios which are both managed by AAM UK. In these circumstances, we will ensure that the price is fair in accordance with such market information as is available and we will only make such a trade if it is in the best interests, taking into account all factors, of both parties.

## **What execution venues does AAM UK access, what factors affect the choice of venue and how does the venue affect Best Execution?**

The venues for investments in fixed income securities, derivatives and equities are listed in Appendix 2. We will normally assess venues on a transaction by transaction basis but typically we look to provide Best Execution by finding the best price available for a particular financial instrument; the best price may only be available on a particular venue, so our aim of Best Execution may dictate the venue for a particular trade. If we can, we will check this price by investigating the depth of trading in the relevant financial instrument and the price which is available publicly to us, through the different venues on which the instrument is available.

Other factors which might affect the choice of venue include client restrictions, such as the list of venues on which the relevant client is allowed or wishes to trade. Any restriction on venue may of course affect our ability to deliver Best Execution.

In certain financial instruments, there may only be one execution venue. In executing a trade in these circumstances, we will try to validate the price at which we are trading by all available means but we may not be able to obtain the same level of comfort that the price is truly the best available as we would if an instrument was available on multiple venues or otherwise widely traded.

Our trading venues include:

- Regulated markets and recognised investment exchanges, set out in more detail in Appendix 2
- Multilateral trading facilities,
- Systematic internalisers. These are firms that execute orders from their clients against their own book or against orders from other clients
- Third party investment firms acting as market makers or other liquidity providers. This may include non-EU entities carrying out these functions.

Accordingly, in certain circumstances, we may trade outside of a regulated market or multilateral trading facility. We will provide on request additional information about the consequences of this means of execution.

A list of the venues on which we place significant reliance in meeting our obligation to obtain the best result for order execution is set out in Appendix 2.

The majority of these venues are used for our equities trading only. The variety of venues available to us does not mean that all instruments are easily available. By investing through AAM UK, clients are giving their consent to trading outside regulated markets or multi-lateral trading facilities. In all cases, our general commitment to provide Best Execution will apply and we will assess in each case the risk of the relevant trade so that we do not take unreasonable risks with our clients' funds.

Our Direct Property asset class will buy direct (i.e. not through a corporate vehicle or other pooled or unitized structure) real estate. The venue accessed by that asset class is therefore the normal property market in the area where the relevant building or real estate is being sold. Our Indirect Property asset class will either invest via the "primary market" (buying or redeeming property fund units directly from the issuer or operator of the relevant fund) or the "secondary market" (where fund units are transferred from one holder to another, typically via an agent).

#### **How does AAM UK choose counterparties and what role do they play?**

For our strategies which invest in equities, fixed income and derivatives, we choose counterparties which we believe will be able to access the venues we require to provide us with Best Execution on those venues. A list of the key trading counterparties with which we principally transact for these strategies is maintained by the Investment Dealing Team of AAM UK and is available to our clients on request. Counterparties in this sense includes brokers and other intermediaries which can trade financial instruments on our instructions.

AAM UK has in place procedures for approval of a new counterparty and the review and maintenance of all our counterparties. This process is split between a number of control areas in order to ensure segregation of duties and also ensures any potential conflicts of interest are identified and managed. A central counterparty list is maintained by Middle Office and reviewed monthly at the Investment Risk and Control Committee. This list breaks down brokers used by AAM UK by asset class. AAM UK will provide this list to clients upon request.

In some cases, particularly in relation to derivative trading conducted by AAM UK under a client's ISDA, AAM UK is constrained in the number of counterparties it can trade with. In these cases, our ability to deliver best execution will be restricted depending on the number of counterparties a client has agreed terms with and their suitability for the types of instrument being traded. We will inform clients where our ability to deliver best execution may be compromised.

#### **How does commission affect Best Execution?**

The primary aim in selecting our counterparties is that of best execution. We currently pay commission to brokers for "execution only" services (i.e. payment for their broking activities), but we do not believe that these payments affect the ability of our brokers to supply Best Execution to us, nor does it affect our ability to deliver Best Execution to our clients. In relation to AAM UK's business, commission paid to counterparties is not materially relevant to asset classes other than equities. We do not pay or receive any remuneration, discount

or non-monetary benefit for routing orders to a particular trading or execution venue which would infringe on our requirements to avoid conflicts of interest or not to pay or receive any inducement which is contrary to our clients' best interests.

### **How does AAM UK's approach to Best Execution vary between asset class or strategy?**

As noted above, the process by which we deliver Best Execution will vary from asset class to asset class.

Specifically, in our property strategies, both direct or indirect, price when selling is not always the over-riding factor. The likelihood that the counterparty will perform its obligations (principally, delivery of purchase price) is also very important and the manager may be willing to accept a lower price for the sale of a property or property security if it is felt that the likelihood of performance justifies it.

Additionally, when managing cash or money market investments, we will seek a balance between return, liquidity and counterparty risk. Where appropriate, we will compromise on the rate of return in order to achieve better liquidity and counterparty diversification profiles across our portfolios. As with all Best Execution strategies, we will ensure compliance with separate mandate limits at all times.

### **In what circumstances might AAM UK deviate from this policy or its normal processes?**

When trading financial instruments on behalf of our clients we will normally use our discretion to decide which financial instruments to trade, the size and speed at which we wish to trade, the venues on which those instruments will be available and how to access those venues. However, clients may instruct AAM UK to execute a specific order or group of orders in a certain way. Depending on the specifics of the order the client has given AAM UK, we may not be able to achieve Best Execution because the order may prevent us from doing so. In those circumstances, we will try to achieve the best possible results we can whilst following our clients' orders.

When there are special (market) circumstances at play, AAM UK may deviate from this Order Execution Policy. Examples of special circumstances are: extreme volatility in financial markets, disruptions in order systems, power outages and other emergencies that are beyond the control of AAM UK. It is possible that orders will only be partially executed, if at all, during these circumstances. In the case where partial execution occurs, we will allocate executed trades across our clients' portfolios fairly, by reference to the size of the relevant client's interest in the partially executed trade compared to the original order.

Diversity in markets and the kinds of order that we carry out on your behalf may mean that factors other than price and cost will have to be taken into account for each individual trade. For instance, market volatility or the absence of a regulated market may make the speed at which we execute a priority. Lack of liquidity (i.e. that a particular instrument is not widely traded or available) may also mean that our ability to assess price is restricted and in certain circumstances there may even only be one price available, which will restrict our ability to validate that price.

Subject to undertaking appropriate due diligence, we may, on a trade-by-trade basis, execute a transaction through a venue not currently included on the list of venues set out in Appendix 2, or through a new counterparty. We will only carry out such a trade where we believe it is in the best interests of our clients to do so. Any new counterparty will only be used after they have been approved subject to the AAM UK counterparty approval process.

In summary, while we take all reasonable steps based on our business resources to deliver Best Execution, we cannot guarantee that we will achieve the best price in each and every individual situation. However, in all cases, we will do our best to balance all execution factors to achieve the best result, whilst at the same time treating all of our clients fairly.

## **How does AAM UK monitor its Order Execution policy, outcomes, procedures and requirements?**

We will monitor on a regular basis the effectiveness and application of our policy. Where appropriate we will correct any deficiencies identified as part of this monitoring. Usually, our monitoring process will focus on the outcomes we have achieved for our clients and whether these are consistently giving clients the best outcome they could have had, depending on the relevant assessment criteria.

Most monitoring will be done “real time” by members of the Central Dealing team, normally with the relevant individual fund manager double checking that the outcome achieved on trading is consistently as good as it could have been. Our dealing team is responsible for achieving best execution daily. Separately, the dedicated Monitoring team of AAM UK (which monitors various functions across the AAM UK business) will periodically assess the Central Dealing team’s and portfolio manager’s performance. We will also review our order execution arrangements including venues periodically and adjust our policy as required.

In any event, we will review our Order Execution Policy at least annually or in the event that there is a material change that affects our ability to continue to obtain the best possible results for our clients.

“Material change” for these purposes will include a significant development which impacts on the choice of execution venues available to us or where we make a significant change to the processes that we operate. A significant development could involve the development of a new recognized investment exchange, multilateral trading facility or a significant regulatory change impacting the market environment.

## **Does AAM UK use Algorithmic Trading?**

We may, when deemed appropriate, utilise algorithms provided by brokers to achieve best execution for our clients. Any algorithms we access will have been scrutinized through our due diligence questionnaire process to assess suitability for our business. Traders on AAM UK’ dealing desk must also attend training in the use of those algorithms to ensure full understanding.

AAM UK does not currently utilize any internal algorithms.

## **What is AAM UK’ approach to best execution reporting?**

AAM UK will comply with the regulations to which it must adhere. Accordingly, on an annual basis, a report on our Top 5 Execution Venues in terms of trading volumes used across applicable asset classes and the quality of execution obtained will be available on our website. We will also report to clients or regulators on request and as required.

## Appendix 1

### Best Execution procedures by financial instrument

#### Financial Instruments

The arrangements adopted for individual financial instruments are as follows:

#### Equities

Equities orders will normally be executed by our counterparties, through recognized investment exchanges, multilateral trading facilities. In achieving Best Execution, we will consider the reason for the order, the market or venue on which the instrument is available, the size of the order relative to the instruments availability ("liquidity") and the specific instructions of the portfolio manager responsible for the trade. Price will normally be the determining factor but market impact might mean that orders are executed more slowly than would normally be the case or that we direct our order to a particular counterparty.

A fund manager, when placing a deal, communicates their strategy, which allows the Investment Dealing Team to select the most appropriate venue. The Investment Dealing Team is tasked with sourcing liquidity so all trades are dealt on the most relevant venue. Our trading methods will include agency, net, execution-only, programme trading, capital commitment, internal crossing and Algorithmic computer-based trading, but this list is not exhaustive.

#### Fixed Income – government and corporate bonds

We will source liquidity in corporate bonds through our executing counterparties. Typically we will use "ALLQ" on Bloomberg, or alternative sources, to establish competitive quotes and availability of liquidity. When we trade, if possible, we will look to obtain a reasonable number of quotes to ensure that we are obtaining the best price. Whilst price will normally be the most significant factor in our trading, execution speed or the lack of venues or counterparties offering the relevant instrument may mean that our investigation into price is not as deep as it might be in other circumstances. For certain corporate bonds we will also access liquidity through electronic venues such as Tradeweb and MarketAxess.

When executing transactions in government bonds and UK index-linked government bonds, we generally execute through an electronic trading platform. Where such platforms are not available or are not considered appropriate due to size or liquidity constraints, voice trading is utilised. A review of up to date information in the market on spreads and government bond prices is undertaken in order to determine the depth of liquidity in the relevant corporate bonds. A minimum of two, usually three, counterparties are normally then selected. However, where there are liquidity constraints and we believe this might affect the market, only one counterparty may be used.

#### Cash

We instruct investments in cash instruments and other cash transactions as an investment in its own right for our cash strategies and to diversify our risk away from our funds' operational custodial counterparties. We have a list of pre-approved counterparties. Relevant client mandates dictate the money market instruments (e.g. call accounts, fixed deposits, certificates of deposits, commercial paper and Treasury Bills) into which those clients can invest and both liquidity and counterparty exposure limits. For pure investment strategies and other cash transactions, we choose the relevant trade based on the best market rate relating to the trade which complies with the criteria. We may also direct trades away from certain counterparties if we feel that overall exposure to that counterparty is too high, even if the price or other terms offered by that counterparty might be the best available.

In addition, where a mandate permits investment in fixed and floating rate bonds, we source these through our executing counterparties. Typically we will use "ALLQ" on Bloomberg, or alternative sources, to establish competitive quotes and availability of liquidity. When we trade, if possible, we will look to obtain a reasonable

number of quotes to ensure that we are obtaining the best price. Whilst price will normally be the most significant factor in our trading, execution speed or the lack of venues or counterparties offering the relevant instrument may mean that our investigation into price is not as deep as it might be in other circumstances.

At present, there is limited electronic trading for executing cash trades (using either Tradeweb or Bloomberg systems). For deposits, we have introduced trading practice with our counterparties where the rate for cash dealing and placement is obtained either by a recorded telephone call or dedicated Bloomberg “chat box”. Overnight deposit trades are instructed by e-mail issued either directly to the counterparty concerned or to a facilitating money market broker.

AAM UK’s outsourced back office operations receive all trade information from the dealing system, thinkFolio and confirm and settle with the counterparty directly or with the trading investment bank of money market broker. This enables separate control verification.

### Exchange-traded Derivatives

For these instruments, we will generally consider price and cost to be the most important factors. However other execution factors may be taken into account or, in exceptional circumstances, be considered the principal factor (i.e. the size and nature of the trade may make execution slower or, if speed is essential, price and market impact may mean that the trade is carried out in circumstances where the price of a trade is impacted).

The counterparty is selected from an approved list and orders are placed with these counterparties. All futures orders are placed electronically. The counterparty is selected on the basis of market expertise for that specific asset class and liquidity.

### Over-the-counter derivatives

Again, price and cost will be the most important factor by which we consider how we trade OTC derivatives. However other execution factors may be taken into account or, in exceptional circumstances, be considered the principal factor (i.e. the size and nature of the trade may make execution slower or, if speed is essential, price and market impact may mean that the trade is carried out in circumstances where the price of a trade is impacted).

For uncleared over-the-counter derivatives, the counterparties are selected from our approved list of those with ISDAs and we will then consider the counterparty’s expertise in the relevant strategy, potential for post trade costs and fairness of price. Where possible or desirable, a competitive quote or quotes for the relevant trade will be obtained.

For cleared over the counter derivatives we will execute through those counterparties with a CDEA (cleared derivatives execution agreement) in place. Once executed those trades are then ‘given up’ to our OTC clearer.

For ‘on venue’ over the counter derivatives we will utilize the Tradeweb and Bloomberg multilateral trading facilities.

In some cases, particularly in relation to derivative trading conducted by AAM UK under a client’s ISDA, AAM UK is constrained in the number of counterparties it can trade with. In these cases, our ability to deliver best execution will be restricted depending on the number of counterparties a client has agreed terms with and their suitability for the types of instrument being traded. We will inform clients where our ability to deliver best execution may be compromised.

### Foreign Exchange Transactions

We instruct foreign exchange (FX) transactions to hedge our exposure to different currencies or to allow transactions between currencies to take place. We will typically do this direct with a banking institution (selected from an approved list) to provide us with the outcome and based on the price that institution can

give for the currency we require. FX forwards are increasingly directed through counterparties with which an ISDA contract has been agreed.

All trades are electronically traded through an e-trading platform on which a core list of approved counterparties is maintained.

Certain FX transactions, such as share class hedging, will be outsourced to the third party administrator for the relevant fund or portfolio. In these circumstances, the service provided by the third party administrator will be overseen by AAM UK.

### Collective Investment Schemes

Dealing terms in collective investment schemes, other than those invested in by the Indirect Property team, will be dictated by the price available at the time at which we trade. This is normally obtained from the scheme issuer and is not normally comparable (i.e. there is only one price available at the time of trading). Accordingly, it is the time of trading which is relevant for the purposes. Typically, most of the relevant CIS trading is done at a certain time each day, as agreed with the relevant client.

### Direct Property

#### Background

The Direct Property team invest directly into real estate property. Direct Property transactions are carried out either "On Market" or "Off Market". "On Market" is where the relevant property is widely or publically marketed. "Off Market" is where the buyer and seller of a particular property agree terms without going through a public marketing process. Each has its merits and risks from a Best Execution standpoint. With On Market transactions, the sales price will have been tested through the various offers that the seller has received. Off Market transactions may be achieved at a lower cost and more quickly than with On Market transactions in the marketing stage of sale, but may still be chosen by the portfolio manager to deliver Best Execution.

AAM UK trades when purchasing at a relatively high rate Off Market, based on our reputation, ability to transact quickly, knowledge of the market and relationships with relevant counterparties. In either case, whether trading On Market or Off Market and whether buying or selling, the facts and circumstances of each individual property, the market and other relevant factors will be assessed and the portfolio manager will decide how to trade based on experience and advice received from property agents, all to ensure that Best Execution is achieved.

#### Selling

When selling, due to the ability to create certainty about pricing, it is normally preferable to trade On Market, although the relevant portfolio manager may still choose to sell Off Market if the portfolio manager considers it preferable in achieving Best Execution. The price being obtained will be reviewed by the Governance process detailed below.

Before a property is considered for sale, the relevant portfolio manager will consider many factors including future performance of the property, profit crystallised from a sale and risk to the fund from holding the asset in the future. Once the decision has been made to sell, the property will be prepared for sale and solicitors instructed, together with an agent or agents to provide advice on the likely achievable price and the best method of selling. Once the property has been marketed, when selecting a suitable purchaser, the price is not always the over-riding factor. The likelihood that the counterparty will perform its obligations (principally, delivery of price) is also very important and the manager may be willing to accept a lower price for the sale of a property or property security if it is felt that the likelihood of performance justifies it. This may also operate to the advantage of AAM UK when it is acting as purchaser, because our reputation for performing our obligations may mean that we can negotiate a lower price than our competitors.

## Purchasing

Due to the ability to negotiate price and terms quickly and to avoid the risk of over-paying, the AAM UK Direct Property team typically do most purchasing Off Market.

The purchase process will include instructing solicitors to produce a full legal report on title to include property searches, title assessment, and review of the occupational leases. They will also negotiate the contract. Detailed non-legal due diligence will also be undertaken, including a site visit. Advice and due diligence from a suitable property agent will be obtained, for instance on relative local property prices and comparative rental incomes. The surveys obtained could include structural, mechanical and electrical, flood risk and others as required or recommended depending on the building, its history and its location. Independent valuation reports (additional to the purchase report prepared by the acquiring investment agent) and, in relation to the AAM UK Property Income Fund, depositary sign-off on various specifics of the due diligence process may also be required. Prior to placing a property under offer for purchase, the purchase price is determined by the portfolio manager in conjunction with advisors having appraised the likely returns and suitability of the investment for the intended fund. Governance approval (see below) will be sought, normally once the majority of due diligence has been completed and surveys such as building and environmental survey have been obtained. Right up to the point of exchange of contracts there could be further changes, and if these are material and affect price or risk to the relevant fund, this will then be taken back for further internal approval.

## Governance approvals

Whether trading On Market or Off Market, the portfolio manager must be satisfied that the price obtained and the risks being run are appropriate. In all cases, the price paid or received will require the support of valuers and surveyors. Additionally, transactions under £5m will be approved by a senior member of the Direct Property team. Transactions over £5m will involve Property Investment Committee approval.

## Indirect Property

The Indirect Property team may trade either via the Primary Market or the Secondary Market. The Primary Market is where the issuer of a fund will be approached directly for access to that fund. The Secondary Market is where an agent might act on behalf of a purchaser/seller and seek a counterparty to buy or sell the relevant available stock, as appropriate.

The Primary Market will have certain costs associated with it, principally legal fees and stamp duty. These will typically add c6% as a cost to any trade on the Primary Market. This has led to the secondary market, where these charges don't apply, but where the agent will normally act for 25bps of the purchase price payable by both seller and purchaser. Due to the nature of the secondary market for these types of security, it is typically the agent's ability to deliver a trade that is more of a factor for best execution than the fee charged. The costs of the Primary Market do not mean that trades on the Primary Market do not occur – in certain circumstances it may be in the best interests to trade via the Primary Market.

In the case of purchases, the Indirect Property team must ensure that the relevant fund is listed on the "Approved Stock List" (ASL) which is held and overseen by the Property Investment Committee. No fund can be purchased until it is on the ASL. The Indirect Property team will assess each fund that is on the ASL and decide, based on that fund and its likelihood of outperforming or underperforming the market, how to rate it. A rating of underperforming does not mean that they will not invest in a fund but will mean that the price paid will be affected.

Price typically is linked to NAV. Most funds publish monthly or quarterly NAV prices and once a fund is on the ASL the Indirect Property team will have the ability to negotiate deals via the Secondary Market at, above or below NAV, depending on their assessment of the fund's performance. See the paragraphs above under the heading "Direct Property" for a note on how price may not be the overriding factor.

In circumstances where entire orders cannot be fulfilled then the Indirect Property Team will operate a 'Cab Rank' whereby the oldest demand is fulfilled first. In cases where clients are equally ranked then stock will be allocated pro-rata to the total demand. The Indirect Property Team will maintain a log of any 'Cab Ranked' or pro-rata allocations.

Where there is a benefit to all clients concerned, consideration will be given to crossing trades internally. Given the difficulty with transparently pricing Indirect Property transactions, the manager will refer the trade to the Indirect Property Investment Committee for approval. The Committee will be informed by paper from the manager how the agreed price has been arrived at. Prior to executing the trade the Manager will inform the client in writing of its intention to cross and explain how the pricing was arrived at.

Client trades may be aggregated. However, any personal trades (trading done by AAM UK staff for their own account) can only take place once all client demand has been satisfied and these trades have been queued behind all potential client trades.

## Appendix 2

### Execution Venues

AAM UK may use the following venues when obtaining Best Execution. This list is not exhaustive and may change from time to time as venues are accessed differently, or markets or normal process change. It is open to AAM UK to use venues not referenced on the list below where AAM UK believes it to be necessary to obtain Best Execution. Please also note the paragraphs under the heading "What Execution Venues does AAM UK access, what factors affect the choice of venue and how does the venue affect Best Execution?" above for more information about choice of venue and the factors (including client restrictions) which are used to select venue. Please also note that each venue may be referenced by various unique identifiers which are periodically monitored.

#### Equities

- Abu Dhabi Securities Exchange
- Athens Stock Exchange
- Australian Stock Exchange
- BM&F BOVESPA
- Bombay Stock Exchange
- Bolsa de Valores de Columbia
- Borsa Italiana
- Budapest Stock Exchange
- Bursa Malaysia
- Colombo Stock Exchange
- Egyptian Stock Exchange
- Frankfurt Stock Exchange
- GreTai Securities Market
- Harare Stock Exchange
- Hong Kong Stock Exchange
- Indonesia Stock Exchange
- Irish Stock Exchange
- Istanbul Stock Exchange
- JSE Securities Exchange
- Korea Exchange
- Lima Stock Exchange
- London Stock Exchange
- Madrid Stock Exchange
- Mexican Stock Exchange
- NASDAQ Stock Market
- NASDAQ OMX Copenhagen Exchange
- NASDAQ OMX Helsinki Exchange
- NASDAQ OMX Stockholm Exchange
- National Stock Exchange of India
- New York Stock Exchange
- New Zealand Exchange
- Nigerian Stock Exchange
- NYSE ARCA
- NYSE Amex Equities
- NYSE Euronext Amsterdam
- NYSE Euronext Brussels

NYSE Euronext Lisbon  
NYSE Euronext Paris  
Oslo Stock Exchange  
Philippines Stock Exchange  
Prague Stock Exchange  
Russian Trading System Stock Exchange  
San Jose Stock Exchange  
Santiago Stock Exchange  
Shanghai Stock Exchange  
Shanghai-Hong Kong Stock Connect  
Shenzhen Stock Exchange  
Singapore Stock Exchange  
SIX Swiss Exchange  
Stock Exchange of Thailand  
Taiwan Stock Exchange  
Tel-Aviv Stock Exchange  
Tokyo Stock Exchange  
Toronto Stock Exchange  
TSX Venture Exchange  
Vienna Stock Exchange  
Warsaw Stock Exchange

#### **Fixed Income – government and corporate bonds**

Tradeweb  
Marketaxess

#### **Cash Trades**

Through approved counterparties.

#### **Exchange-traded Derivatives**

Chicago Mercantile Exchange  
EDX London  
Eurex  
Euronext.liffe  
Euronext.liffe Bclear  
Hong Kong Exchanges and Clearing  
Italian Derivatives Market  
MEFF  
NYSE Euronext Amsterdam  
NASDAQ OMX Copenhagen  
NASDAQ OMX Helsinki  
NASDAQ OMX Stockholm

#### **Over the Counter Derivatives**

Through approved counterparties  
Foreign Exchange Transactions  
Through approved counterparties

#### **Direct Property**

The Direct Property team will invest directly into real estate either “on-market” – where a particular property is widely marketed – or “off-market, where a property will be privately marketed to targeted buyers or sellers.

## **Indirect Property**

Trades by our Indirect Property Team will be done on either the Primary market (i.e. creations or redemptions of units in the relevant issuer) or the Secondary market (i.e. on a matched bargain basis) as Indirect Property is rarely traded on any platform or exchange.

## **Collective Investment Schemes**

The venue for the trading we undertake in collective investment schemes is on a matched bargain basis with the issuer of the relevant scheme. No platform or exchange is involved.