

Order Execution Policy

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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

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 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 (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, 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. Where the European Leveraged Loan Team decides to cross trade in a loan, the trade will be completed internally (i.e. without counterparty involvement) and the portfolio manager will ensure that the trade is made at the observable mid-price.

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:

- 1) Regulated markets and recognised investment exchanges, set out in more detail in Appendix 2
- 2) Multilateral trading facilities,
- 3) Systematic internalisers. These are firms that execute orders from their clients against their own book or against orders from other clients
- 4) 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 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). Loan transactions conducted by the European Leveraged Loans

team will be done over-the-counter, formally agented and settled privately between a selling and a buying counterparty.

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 indirect property strategy, 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. We will 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.

Securities Lending Transactions

A number of funds undertake securities lending activity which is managed by a lending agent. AAM UK may however be involved in specifying which countries are available for stock lending and may utilise the discretion of the portfolio manager to recall any security from loan. AAM UK determines what collateral must be maintained by the agent on our behalf. The agency lending programme entitles the lending agent (Citibank, N.A.) to act as agent on behalf of its lending clients in order to generate revenues for those clients by lending their securities upon agreed terms with approved counterparties. The lending agent is selected based on a comprehensive due diligence process and is subject to continuous oversight. Citibank, N.A. have their own Execution Policy, which outlines their approach to executing orders in relation to their Agency Lending Activities.

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, reverse repurchase agreements 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 back office operations receive all trade information from the dealing system, Aladdin 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.

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.

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.

Collateralised Loan Obligations ("CLOs")

Background

The European Leveraged Loans team invest in loans. Loan transactions are carried out either as "Primary Assets", assets acquired in the course of a primary syndication, or "Secondary Assets", assets acquired in the secondary market. Primary assets are purchased with a view to maintaining the highest possible level of investment and the lowest possible cash balance within each investment vehicle provided such vehicle's contractual criteria and restrictions, as well as CLO specific Eligibility Criteria, Portfolio Profile Tests, Coverage Tests (together - "Portfolio Tests") are complied

with. Such Portfolio Tests are documented in the constitutional documents and contracts pertaining to each investment vehicle (“Relevant Indentures”).

Primary Assets

Each new asset must be allocated to each investment vehicle pro-rata to the size of such a vehicle – up to the amount of a lower of a cash balance held and a maximum single obligor exposure stipulated by individual CLO documentation. The asset will not be allocated to fully invested vehicles unless it can be accommodated by disposing of other assets, in which case the overall effect must be one of improving returns from the investment vehicle (provided that Portfolio Tests are complied with) or one of improving Portfolio Tests.

Each new asset must be allocated to each investment vehicle only in strict compliance with the Portfolio Tests as imposed by the relevant indentures. Such compliance must take into account both current investment vehicle’s status with regard to Portfolio Tests, as well as expected status following the proposed investment and other known or reasonably expected investments, sales or prepayments at the time of making such an allocation.

Relevant documentation for each asset must be complied with – to ensure eligibility of the asset for each investment vehicle, as well as eligibility of such investment vehicle to purchase the asset. Consideration must be given to such parameters as maturity, restrictions on transfer, future contractual changes to terms and conditions, currency composition, drawdown regime etc, which may affect future performance of an investment vehicle and/or its ability to dispose of such asset.

Following identification of the investment vehicles which have sufficient cash balances to purchase an asset, the portfolio manager determines the absolute maximum for each investment vehicle, which is a function of the following factors: size of the vehicle; size of the available/expected cash balance; individual obligor exposure maximum as per the relevant indentures and current and expected portfolio limitations; current and expected industry weighting as per the relevant indentures; current and expected Portfolio Tests. Consideration should also be given to restrictions on asset transferability and/or retention with regard to sizes of individual holdings in each vehicle in order to avoid any limitations on asset secondary liquidity.

Based on these criteria, the portfolio manager makes a preliminary allocation and, for CLOs, a Hypo Purchase Test is requested. If a Hypo Purchase Test fails for the reason of a Portfolio Test failure caused by the amounts involved, rather than eligibility of the asset, the allocations are reviewed in order to rectify the breach until the approval is given. If a Hypo Purchase Test passes, the portfolio manager communicates the resultant commitment or an aggregate amount of individual commitments by each vehicle to the asset originator.

Following the receipt of an allocation from the asset originator, the portfolio manager proceeds with the purchase of the asset if such an allocation is the same as commitment determined above. If an allocation received from the asset originator is less than the commitment, portfolio manager apportions the received asset allocation across the identified investment vehicles pro-rata to the previously determined commitments per each investment vehicle, provided that the resultant individual allocations do not fall below minimum transfer amount and/or minimum retention amount and any other restrictions stipulated by the asset documentation or that such allocations do not prejudice the liquidity of the asset in the future. In case of an individual allocation being smaller than the minimum transfer or retention amount, the vehicles that display the best results with regard to their tests and covenants as a result of such an investment (eg Portfolio Tests) receive preferential allocations of larger sizes. New portfolio events occurring between the time of commitment, allocation and the expected funding date may also require the allocation per CLO to be reassessed and, if deemed necessary, amended.

Secondary Assets

Secondary asset acquisitions are made for the purpose of investing in an asset not previously available as a Primary Asset or for the purpose of improving Portfolio Tests or utilising unscheduled principal cash balances. In the former case, the allocation policy is the same as for the Primary Assets. In the latter two cases, Secondary Assets are purchased for individual investment vehicles, and allocation is limited to determining individual obligor exposure maximum as per the relevant indentures, current and expected achieved portfolio limitations and determining the result of the purchase on the Portfolio Tests requiring improvement provided no other Portfolio Tests and/or Relevant Indentures are violated.

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

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.

Loans

Loan transactions conducted by the European Leveraged Loans team will be done OTC, formally agented and settled privately between a selling and a buying counterparty.