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# Order Execution Policy



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## 1. Introduction

This document sets out the Order Execution Policy (“Policy”) and approach to providing Best Execution, as required by MiFID II for the Aberdeen Standard Investments group of companies. When this document refers to Aberdeen Standard Investments or ‘the firm’, it is referring to all regulated legal entities in the Aberdeen Standard Investments group of companies, other than:

- Standard Life Wealth Limited
- Standard Life Wealth International Limited
- Standard Life Capital Partners LLP
- Aberdeen Private Wealth Management Limited
- Parmenion Capital Partners LLP

## 2. Scope

The Policy applies where Aberdeen Standard Investments manages investments in Financial Instruments on behalf of Retail and Professional Clients.

The Policy applies to all order execution on behalf of members of the Aberdeen Standard Investments group of companies outlined in the Introduction, through an approved execution venue or counterparty by the Dealing Desks.

## 3. Regulatory Context

The Policy articulates Aberdeen Standard Investments’ approach to, inter-alia, its obligations under:

- The EU Markets in Financial Instruments Directive (“MiFID II”), as applicable, and covers all relevant securities.
- Section 206 of the US Investment Advisers Act of 1940 and guidance published in connection therewith by the U.S. Securities and Exchange Commission.

## 4. Definitions

### Financial Instruments

As defined under MiFID II, or the relevant laws, regulations and rules in the U.S., or other relevant trading venue. These include, but are not limited to:

- Equities
- Fixed income instruments, including government and corporate bonds, shares or units in collective investment schemes and convertible bond instruments
- Units in Exchange Traded Funds (“ETFs”)
- Derivatives, whether exchange-traded or OTC, including forwards, futures, options, swaps and CFDs
- Money market and cash instruments

### Retail/Professional Clients

Defined under MiFID II.

## Multilateral Trading Facility (MTF)

A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments - in the system and in accordance with non-discretionary rules - in a way that results in a contract.

## Swap Execution Facility

A Commodity Futures Trading Commission regulated facility, trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants in the facility.

## Systematic Internaliser

A firm that executes orders from its Clients against its own book or against orders from other Clients. MiFID II will treat Systematic Internalisers as mini-exchanges; hence, for example, they will be subject to pre-trade and post-trade transparency requirements.

## Organised Trading Facility (OTF)

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, emissions allowances or derivatives are able to interact in the system in a way which results in a contract.

Where capitalised words and phrases are used and are not specifically defined in the Policy, these words and phrases shall have the definitions ascribed to them in the FCA Rules.

## 5. General Dealing Process

Aberdeen Standard Investments is committed to implementing industry best practice of segregated responsibilities in respect of fund management and dealing. Any exceptions to the segregated dealing model require to be approved by Aberdeen Standard Investments Global Execution Oversight Committee (“GEOC”).

For each instruction to trade, the portfolio manager or authorised individual will send orders electronically via Aberdeen Standard Investments order management system (“OMS”) to the Dealing Desk.

Once orders have passed pre-trade compliance checks and been acknowledged by the relevant execution desk, the dealer will use an agreed medium to place the order with an authorised counterparty or deal directly on any of the execution venues listed in the Policy. The selection of execution venue(s) will be based upon both qualitative and quantitative factors, including the individual broker expertise, quality of information (including market information), willingness to provide capital, and available liquidity. In all cases, the dealer will seek to execute with the execution venue(s) that provide the greatest overall benefit to the Client under the circumstances.

Typically, orders are placed using one of the following agreed mediums:

- FIX: The electronic messaging protocol is the most robust and transparent means of transmitting orders to the trade venue(s).
- Voice: Orders are placed verbally on a recorded phone line.<sup>1</sup>
- Email/Instant Bloomberg: Orders are sent from a controlled account, which has a full electronic audit trail.

Any order received from an investment process that does not have access to the OMS will be dealt with via an Aberdeen Standard Investments approved alternative system or handled through the manual dealing process.

Orders subject to the manual dealing process may be instructed electronically (e.g. email) or in the form of paper tickets using standard templates for the instrument concerned. There is a manual dealing process which is maintained internally.

<sup>1</sup> Subject to local jurisdictional requirements

## 6. Order Handling

Aberdeen Standard Investments operates procedures to ensure the prompt, fair and expeditious execution and allocation of Client orders relative to other Client orders. The firm does not trade for its own account.

Aberdeen Standard Investments maintains and reviews periodically our Order Aggregation, Order Allocation, and Crossing Policies, which govern the firm's order handling procedures.

## 7. Order Execution

MiFID II requires Aberdeen Standard Investments to take all sufficient steps to obtain the best possible result for its clients ("Clients"). This overarching obligation is referred to, in this Policy, as our duty to deliver "Best Execution". Under Markets in Financial Instruments Directive 2014/65/EU (MiFID II), this obligation states that "Investment firms shall take all sufficient steps to obtain the best possible result for their clients taking into account the execution factors of price, cost, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution".

When executing, or arranging execution of orders Aberdeen Standard Investments will take all sufficient steps to obtain the best possible result, taking into account the characteristics of the Client, the Execution Factors, and other relevant criteria defined below.

### 7.1 Retail Clients

When executing, or arranging execution on behalf of a retail Client, our provision of Best Execution will be determined primarily in terms of "Total Consideration".

Total Consideration is the price of the relevant financial instrument, plus the costs related to execution. These costs will include all expenses incurred which are directly related to the execution of the order (such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order).

Under the rules, Total Consideration is the defining execution factor for retail Clients. For retail Client orders, the Execution Factors (as defined below) including liquidity will also be considered, as discussed in the rest of this Policy, but will 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.

### 7.2 Professional Clients

In order to achieve Best Execution on behalf of professional Clients, Aberdeen Standard Investments will execute an order having assessed the following factors (the "Execution Factors"):

- Price
- Cost
- Speed
- Likelihood of execution and settlement
- Size
- Liquidity

In determining the relative importance of the above factors, Aberdeen Standard Investments will apply the execution criteria below in a manner that takes into account these differing circumstances in the execution of Client orders:

- The nature of the Client mandate
- The nature of the order
- The characteristics of the Financial Instruments to which the order relates
- The execution venues to which the order may be directed

Generally, we will regard price, size, and liquidity as the most significant factors in the execution of a Client's order. However, there may be circumstances where other Execution Factors will be prioritised over price, size and liquidity. In taking all sufficient steps, our dealers will use their commercial judgement and experience in light of available market information to achieve the best balance across a range of, sometimes conflicting factors. This does not mean achieving the best price for every Client order, but achieving the best possible result that can reasonably be expected given the resources available to our front office staff. The relative importance of the execution factors will therefore vary considerably between different orders and financial instruments. Aberdeen Standard Investments will also consider an executing counterparty's proven ability to execute a desired trading strategy competently and to manage risk appropriately, adhering to regulatory requirements when selecting an execution counterparty.

## 7.3 Execution Venues

For the purpose of this Policy, Aberdeen Standard Investments have defined 'Execution Venues' as:

- Regulated Markets, e.g. London Stock Exchange
- Market Maker or Agency Broker, e.g. broker or other liquidity provider
- Multilateral Trading Facility (MTF), e.g. electronic trading platform such as Liquidnet, Tradeweb, FX Connect or FXALL. Outside Europe, such venues may be defined/approved differently e.g. In the US, Liquidnet is defined/approved as an Alternative Trading System (ATS)
- Systematic Internaliser, e.g. investment bank
- Swap Execution Facility ("SEF"), e.g. Tradeweb SEF, Bloomberg SEF, FXALL SEF
- Organised Trading Facility ("OTF")

In cases where there are potentially multiple execution venues, regardless of Financial Instrument, several factors will be weighed before selecting the venue(s) to which the Client's order will be routed. Dealers will reference pre-trade analytics, which may incorporate price discovery systems, discussions with execution venues, and our assessment of prevailing market conditions before choosing the most appropriate execution venue(s).

If not already provided pursuant to an investment management agreement or similar authority, written Client consent to the execution of orders outside a Regulated Market, or other execution venues listed elsewhere in this Policy, will be obtained prior to executing orders.

### 7.3.1 Equity and Equity-Like Products

The Dealing Desks may route the order through any of the execution venues listed in this Policy.

Aberdeen Standard Investments will arrange access to all regulated execution venues it assesses as appropriate for a global fund manager. Given the number of available venues, the selection of execution venue for parts of a working algorithmic order will be made electronically.

Aberdeen Standard Investments use electronic crossing networks and algorithmic trading tools when appropriate in order to minimise impact by maintaining anonymity and to access "hidden" liquidity.

When appropriate, Aberdeen Standard Investments will trade baskets of stocks as a program trade, with broker and investment bank intermediaries, on both a principal and agency basis. Program trades can allow immediacy across a large number of stocks in principal trades or a reduced commission rate for agency trades.

### 7.3.2 Fixed Income

The use of RFQ and Bloomberg IB to request competitive quotes is the standard approach in more liquid sectors of the market. However, under certain circumstances, for example where the size of the order or the liquidity profile of the issue is such that placing an order in competition may result in information leakage, the dealer may choose to place an order with a single counterparty for execution.

The Dealing Desks will route orders for execution to MTFs, OTFs, Systematic Internalisers and agency brokers.

### 7.3.3 Derivatives (Exchange Traded, Exchange Cleared and Over the Counter)

Orders may be routed through Regulated Markets, MTFs, OTFs, SEFs, Systematic Internalisers and other liquidity providers. However, under certain circumstances, for example where the size of the order or the liquidity profile of the issue is such that placing an order in competition may result in information leakage, the dealer may choose to place an order with a single counterparty for execution.

In selecting the execution venue(s), in addition to the factors and criteria set out elsewhere in this Policy, the executing desk will have regard to the relevant terms of any International Swaps and Derivatives Association Master Agreement ("ISDA"), Credit Support Annex ("CSA"), Cleared Derivatives Execution Agreements ("CDEA") and Global Master Repurchase Agreement ("GMRA") in place for each Client.

### 7.3.4 Money Markets

Execution will only take place after a full analysis of liquidity requirements, operational risk, credit risk, return objectives and overall effective portfolio management is completed in order to secure the best possible return for the Client. The factors of yield / size / liquidity / credit risk / risk appetite / rating and maturity are important and the relative importance of each may differ depending on each individual order.

### 7.3.5 Foreign Exchange

Aberdeen Standard Investments supports a dual FX strategy with an "in-house" model and an "out-sourced" model.

For the in-house model Aberdeen Standard Investments has dedicated Dealing Desks in the UK, Asia Pacific and the US which execute trade related and investment policy FX transactions.

FX transactions are traded either;

- with a panel of approved counterparties ("SI") who meet internal rating criteria (unless Client restrictions apply) or
- through multibank electronic platforms (MTFs, OTFs) such as FXALL and FX Connect.

The out-sourced model is an automated and rules based approach suitable where a standardised FX dealing approach can be applied and comprises of third party service providers:

- existing TPA - BNP Paribas (BNP) for FX instruction and cash management, and
- Brown Brothers Harriman (BBH) as FX execution agent. FX execution is undertaken, using WMReuters benchmark bid/offer rates. Multiple daily execution windows are set to maximise market liquidity.

Benchmark rate monitoring for the out-sourced model is performed by a dedicated UK based Aberdeen Standard Investments "Operations Cash and Asset Servicing" team after each execution window.

In addition to the in-house and out-sourced models, Aberdeen Standard Investments have mandated custodial rule based FX trading where it is operationally and economically more efficient than active trading by the FX Dealing Desks. This includes Share Class FX hedging and standing instructions for restricted currency markets.

### 7.3.6 Collective Investment Schemes

In general, secondary markets for units or shares in Collective Investment Schemes ("CIS") do not exist and therefore Aberdeen Standard Investments places its order or instructs a third party on its behalf to deal directly with the primary market dealing team of the fund provider concerned (generally known as the Transfer Agent). Transactions in units or shares in CIS are generally transacted at the prevailing net asset value ("NAV") of the CIS.

### 7.4 Monitoring and Review

Although our approach to seeking Best Execution is applicable to all types of transactions, evaluating the quality of executions is more easily achieved for securities with reliable and readily available comparative data and/or where a third party can provide a specialised Transaction Cost Analysis (TCA) service.

Best Execution is an evolving process of continuous improvement and as part of the firm's commitment to achieving Best Execution, we are constantly reviewing and seeking out new TCA offerings, new counterparties and new venues in the market. Where there is no TCA service available, we conduct internal modelling of trades utilising tools, venue reports and broker reports to carry out execution analysis.

### 7.5 Broker Reviews

Aberdeen Standard Investments will conduct reviews of our leading counterparties to assist in meeting its obligations to seek Best Execution.

Dealers assess our significant execution counterparties based on their experience in obtaining quality execution. Factors considered include, but are not limited to, speed and efficiency of execution, anonymity, market intelligence, liquidity, explicit cost, and market impact from trading. Aggregated results are used as the basis for feedback to each bank/broker reviewed. Reviews will be conducted at least once a year.

### 7.6 New Counterparty Approval

Aberdeen Standard Investments constantly evaluates the market landscape and reviews its panel of execution venues and counterparties. The firm has processes in place both to review the financial soundness of counterparties and to ensure that adequate documentation is in place to manage the relationship.

All new counterparties are initially approved by the Global Head of Investment Execution and DVP counterparties are noted by Aberdeen Standard Investments Credit Committee.

However, all new counterparties where bilateral trading will result in credit risk to that counterparty are subject to a full credit review and approval by the Aberdeen Standard Investments Credit Committee. OTC Derivative counterparties are subject to appropriate agency ISDAs, CSAs, or CDEAs being put in place. Where a Client instructs Aberdeen Standard Investments to operate under their own negotiated ISDA or CDEA agreement, this will constitute a specific instruction from the Client to transact solely with the named counterparty (refer to section 8 on Client Specific Instructions). Similarly, Repo counterparties are subject to appropriate agency GMRA or Master Repurchase Agreement ("MRA") legal agreements being put in place.

Approved Execution Counterparty lists will be maintained by the Counterparty Management Team, which will include updates to incorporate additions, mergers, and deletions.

## 8. Client Specific Instructions

Where a Client gives a specific instruction or restriction as to the execution of an order, the relevant part of that order will be executed in line with those instructions. In acting on a specific instruction, our ability to take the steps Aberdeen Standard Investments have designed to ensure the firm obtains the best possible result and a fair and equitable allocation, as described above, may be impaired.

## 9. Oversight and Control

It is the responsibility of all dealers and fund managers involved in raising and executing orders to understand the firm's obligations as they relate to Best Execution under the relevant legislation.

Aberdeen Standard Investments' Dealing Desks, Investment Governance, Investment Management Operations, and Risk and Compliance teams all have a role to play in overseeing the Policy.

The GEOC is the body with primary responsibility for the oversight of trade execution. The Risk and Exposure Committee ("REC") is also responsible for oversight of all investment activity undertaken by Aberdeen Standard Investments.

## 10. Policy Owner and Approvals

The Global Head of Investment Execution is responsible for implementing the arrangements described in this Policy.

Material changes to this Policy are approved by the GEOC. Any material change that affects our ability to obtain the best possible result for the execution of Client orders will be communicated to Clients.

The Policy is reviewed and approved by the GEOC at least annually. Exceptions to this Policy are also approved by the GEOC.

## 11. Related Documents

This policy should be read in conjunction with, where relevant, applicable country specific policies or manuals pertaining to order execution. These include, but are not limited to, the SEC Registered Investment Compliance Manual for all entities which are registered with the US Securities and Exchange Commission as Investment Advisers.

## 12. Appendix 1: Execution Venues and Counterparties

Please see below for the non-exhaustive list of execution venues and counterparties on which Aberdeen Standard Investments places significant reliance in meeting its obligation to achieve Best Execution for the Client:

Banco Santander SA	Nplus1 Singer Capital Markets Ltd
Bank of China Limited	Numis Securities Ltd
Bank of America Corp	Panmure Gordon & Co PLC
Banque Federative du Credit Mutuel	Peel Hunt LLP
Barclays PLC	Rabobank Nederland NV
Bloomberg	RBC Dominion Securities Inc
BNP Paribas	Renaissance Securities Cyprus Ltd
Canaccord Genuity Ltd	Royal Bank of Canada
Cantor Fitzgerald Europe	Royal Bank of Scotland Group PLC
Cenkos Securities PLC	Scotia Capital Inc
China Construction Bank	SMBC Nikko Capital Markets Ltd
Citibank	Societe Generale SA
Commerzbank AG	Standard Chartered PLC
Credit Agricole SA	Stifel Nicolaus Europe Ltd
Credit Suisse	Sumitomo Mitsui Financial Group Inc.
Daiwa Capital Markets Europe Ltd	Sumitomo Mitsui Trust Holdings Inc.
DekaBank Deutsche Girozentrale	The Toronto-Dominion Bank
Deutsche Bank	Tradeweb Europe Limited
DZ Bank AG	Tullett Prebon (Securities) Limited
Exotix Partners LLP	UBS AG
FX-All	UniCredit SpA
Goldman Sachs Group Inc	Winterflood Securities Ltd
Group BPCE	
HSBC Holdings Limited	
ICAP	
Industrial & Commercial Bank of China Limited	
ING Bank N.V.	
Instinet Europe Ltd	
Investec Bank PLC	
ITG	
Jefferies International Limited	
JP Morgan Chase and Co Inc.	
KBC Groep N.V.	
Kepler Cheuvreux SA	
Landesbank Baden Wuerttemberg	
Liquidnet Europe Limited	
Lloyds Banking Group PLC	
Macquarie Group Ltd.	
MarketAxess Europe Limited	
Merrill Lynch International	
Mizuho Financial Group Inc.	
Morgan Stanley	
National Australia Bank	
Nomura Holdings Inc.	
Nordea Bank AB	

Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.

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