ST. JAMES'S PLACE
WEALTH MANAGEMENT

ST. JAMES'S PLACE UNIT TRUST GROUP ORDER EXECUTION POLICY

1. PURPOSE AND BACKGROUND

This document is a description of the St. James's Place approach to order execution and the placement of orders in financial instruments. It has been written for clients to meet the requirements of the Financial Conduct Authority's Conduct of Business Rules Disclosure requirements which enshrines the second Markets in Financial Instruments Directive and associated regulations (MiFID/R).

MiFID/R is a European Union law that provides harmonised regulation for investment services across the member states of the European Economic Area, which becomes effective on 3 January 2018 replacing the original MiFID of 2007.

When a St. James's Place Unit Trust Group (SJPUTG) Unit Trust Scheme places an order to deal in a financial instrument (e.g. Equity & Fixed Income Securities, Exchange Traded & Over the Counter Derivatives, Foreign Exchange) that order must meet the best execution rules. SJPUTG delegates portfolio management to external Investment Advisers and as part of their service to us includes the placing of orders to deal in financial instruments. Each agreement with our Investment Advisers to manage a SJPUTG scheme portfolio specifies that the Investment Adviser must meet the Financial Conduct Authority's rules on best execution. Where the requirements of this Policy conflict with local regulatory requirements, then the delegated entity will have to follow local regulatory requirements. In which case, they are still required to act in our clients' best interests and to comply with the spirit of this Policy.

Definitions used

Agency trade – An order where a broker brings together a buyer and a seller of a security usually through a stock exchange.

Multilateral Trading Facility (MTF) – operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments.

Organised Trading Facility (OTF) – operated by an investment firm or a market operator an OTF is a multilateral system that is not an exchange or MTF. Within an OTF, multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in a way that results in a contract.

Principal trade – A type of order carried out by a broker which involves the broker buying or selling for its own account and at its own risk.

Regulated Market – Stock Exchange authorised by a national regulator that follow prescribed rules in terms of Order Execution being open to the public, hours of opening and price transparency.

2. BEST EXECUTION

All SJPUTG Investment Advisers must take all sufficient steps to obtain the best possible result for each scheme it manages when placing orders to deal on behalf of that scheme with other entities, taking into account the execution factors: price, cost, speed, likelihood of execution, likelihood of settlement, order size, and any other relevant consideration.

2.1 Best Execution Factors

Price

Price refers to the average price at which the whole order is executed. The price includes the implicit costs of the trade, which are the opportunity costs incurred or benefits accrued as a result of the execution strategy over the lifetime of the order. This definition does not include explicit costs such as commissions. The price achieved could be the best price immediately available at the time the Trader receives the order. However,

i. The size of the order may mean that liquidity at the best immediately available price is not sufficient to satisfy the order. Therefore, the order will have to be worked carefully over time utilising strategies that are sensitive to time and liquidity in order to avoid adverse price movements due to information leakage

ii. Whilst there may be sufficient liquidity to execute the order in full, the market signals at the time the order is received may indicate that the price is going to move in favour of delaying execution. Price will always be a factor and it is usually, but not always, the most important factor.

Cost

Cost refers to the explicit costs of execution, such as commission costs on equity trades and exchange traded derivatives.

Speed

Speed refers to the time taken to complete the whole order. There are potential costs and benefits in the speed of execution. Current market conditions and advertised trading interests provide signals to the likely direction and momentum of the price of an instrument. Executing too quickly increases market impact and may result in missed execution opportunities, whilst executing too slowly exposes the order to additional market risk. Sometimes orders need to be executed urgently in order to reduce risk; close an unsuccessful investment strategy; crystallise gains; seize an investment opportunity; or to secure market exposure at a particular valuation point. This can result in an execution outcome that is worse than could have been achieved with a more patient strategy. When speed is an important factor, it is important to have access to execution venues where liquidity is reliable and therefore likely to execute. Therefore, speed is closely linked to the likelihood of execution.

Likelihood of execution

The likelihood of execution refers to the probability that the whole order will be completed within a given time. Where speedy execution is required, those counterparties that are most likely to be able to execute are approached.

Likelihood of settlement

The likelihood of settlement refers to the probability that an order will be settled or settled within the normal settlement cycle.

Order size

In this context, size refers to the objective of securing large execution fills rather than the size of the order itself, which is characteristic of the order rather than an execution factor. The need to execute in size can be important when the Investment Adviser wants to either implement or exit a position quickly or where information leakage can be minimised associated with smaller fills. There is generally a trade-off between order size and price.

3. EXECUTION VENUES

A venue is defined as a Regulated Market (an exchange), a Multilateral Trading Facility (MTF), an Organised Trading Facility (OTF), a Systematic Internaliser, or a Market Maker or other liquidity provider or an entity that performs a similar function. Therefore, broadly speaking, an execution venue is either a trading venue or a counterparty. A trading venue is an order book or market platform where buyers and sellers interact multi-laterally, posting orders or soliciting quotes via a request for quote (RFQ) process. Regulated Markets, MTFs and OTFs are trading venues.

None of our Investment Advisers are members of the exchanges directly but have access to them via counterparties and their electronic execution Algorithms and Smart Order Routers (SORs). Where our Investment Advisers execute with a counterparty directly, the counterparty either executes a principal trade or works an order in an agency trade. The counterparty will interact with other execution venues in order to lay off their risk or fill those orders. A Systematic Internaliser is a type of counterparty, for example an Investment Bank, which executes client orders over the counter on its own account, outside a Regulated Market or other multilateral platform on an organised, frequent, systematic and substantial basis. The trading venues accessed directly are listed in Appendix 1.

3.1 Choice of venues

The decision to use a Trading Venue by our appointed Investment Advisers is primarily based on market coverage and liquidity. The Investment Advisers undertake an operational assessment that includes understanding: the venue's trading practices and procedures, including operational controls; the nature of the other market participants; the ability to limit or prohibit interaction with other market participants; information security; and business continuity arrangements.

The decision to use a Counterparty by our appointed Investment Advisers is based on selection criteria factors and are typically as follows:

- Market coverage – This covers market share, the instruments covered and the liquidity the counterparty has access to.
- Trading competitiveness and competence – This covers the willingness to commit capital; price competitiveness; the promptness of execution and quote responsiveness; and the perceived quality of the trading team.
- Operational capability – This covers desk to desk electronic communication, trade matching, confirmation and settlement efficiency; the collateral management process; and their responsiveness to other operational requests.
- Documentation capability – This covers their competency and efficiency in negotiating legal documentation. Documentation is a pre-requisite to trading in derivatives markets.

4. EXECUTION FACTOR ASSESSMENT

Price

Ordinarily, price is the most important factor. For low touch orders price and explicit cost are the most important factors as factors such as speed, likelihood of execution and settlement; and size are a given. For high touch orders price may become less important than the need to execute urgently (speed) or the need to execute in larger size to avoid the impact of information leakage on price. It may be more important to either exit or implement the investment idea than to improve the execution price.

Cost

Commissions differ by market and the method of execution, "high touch" or "low touch". Low touch orders, executed via electronic Algorithms and Crossing Networks, have lower rates than high touch orders and therefore this is an important factor, with price, in the choice of execution method.

Speed

There are certain occasions when speed will be more important than price. This could occur when an Investment Adviser wishes to implement or exit an investment strategy urgently.

Likelihood of execution

Likelihood of execution would become the most important factor when speed is the most important factor.

5. ORDERS EXECUTED OUTSIDE OF A REGULATED MARKET, AN MTF, OR AN OTF

Some orders may be executed outside of a Regulated Market, an MTF, or an OTF where the Investment Adviser believes they can achieve the best possible result for execution of the order by doing so. Where orders are executed outside a trading venue, or more specifically the settlement system of a trading venue, where that settlement process is not delivery versus payment a client may be subject to additional counterparty risk. Additional information about the consequences of this means of execution is available on request.

6. EQUITIES AND RELATED SECURITIES – VENUE SELECTION PROCESS

Liquidity in a security can be spread across execution venues, both trading venues and counterparties, and all liquidity may not be immediately visible. As a result, our Investment Advisers develop many relationships designed to ensure they have access to sufficient execution venues to deliver best execution. In general, equity market liquidity can be found:

On Stock Exchanges

Under the Financial Conduct Authority's Conduct of Business Rules, these are defined as Regulated Markets.

On Multi-Lateral Trading facilities

MTFs are also authorised by national regulators and therefore have to operate under rules that are similar to, but not the same as, Regulated Markets. Where stock exchanges exist, and regulations allow, MTFs have been established in competition with them. They are managed by individual brokers, consortiums or other approved market operators. They can control who participates in the market.

Off trading venues

Orders can be executed on a counterparty's Broker Crossing Network (BCNs). BCNs are internal exchanges set up by brokers in order to attract liquidity to maximize their internal crossing opportunities. The broker sets the rules and controls entrants and as such, they are not classified as Regulated Markets or MTFs. The Financial Conduct Authority's trading obligation requires that, securities are ultimately executed on a Regulated Market, an MTF, an OTF, a Systematic Internaliser, or on the trading venue of a third country where that trading venue has been assessed as equivalent. As BCNs do not meet these criteria it is almost certain that they will cease to exist in the EEA from 3 January 2018 when the new MiFID/R rules come into force.

In the US, orders can be executed on an Alternative Trading System, which operate in a manner similar to BCNs.

Orders can be executed with a Systematic Internaliser or with other counterparties on an over the counter basis.

Typical execution strategies

The execution approach is determined by assessing the inherent characteristics of the order against the backdrop of the prevailing market conditions. Market conditions are assessed using market data sources and trading analytics software that analyses historic and current market conditions and trading information to assess the available liquidity and formulate the trading strategy.

Electronic execution methods incur lower commission rates and therefore are favoured where the Investment Adviser believes that the best combination of price and costs can be achieved.

Crossing Networks are multilateral trading venues that facilitate the interaction of orders from portfolio management firms and counterparties. They provide access to anonymous, natural liquidity in both small and large orders. Crossing Networks, being anonymous, are attractive to Investment Advisers looking to execute large orders.

Algorithms look for liquidity on stock exchanges, MTFs, Systematic Internalisers and BCNs. Algorithms allow Investment Advisers to: access the market anonymously; to search dark venues for liquidity; and to apply an execution strategy that best fits the investment objective of the order. These venues are used for low touch orders.

High touch orders are likely to be large orders relative to average daily volume; orders in illiquid stocks; orders in specialist markets, such as some emerging markets; or where execution is urgent. As a result broker expertise or capital may be required to execute the order. High touch orders may be executed as follows:

i. Searching market information for indications that there are large blocks of natural liquidity available

ii. Contacting specialist brokers to instruct them to locate blocks of natural liquidity

iii. Executing a principal trade via an RFQ process or contacting a single counterparty the Investment Adviser knows will price competitively.

High and low touch methods can be used simultaneously.

6.1 Execution Factor Relative importance

Price

Ordinarily, price is the most important factor. For low touch orders price and explicit cost are the most important factors as factors such as speed, likelihood of execution and settlement; and size are a given. For high touch orders price may become less important than the need to execute urgently (speed) or the need to execute in larger size to avoid the impact of information leakage on price. It may be more important to either exit or implement the investment idea than to improve the execution price.

Cost

Low touch orders, executed via electronic Algorithms and Crossing Networks, have lower rates than high touch orders and therefore this is an important factor, with price, in the choice of execution method.

Speed

There are certain occasions when speed will be more important than price. This could occur when a Investment Adviser wishes to implement or exit an investment strategy urgently or where there is a large subscription or redemption request.

Likelihood of execution

Likelihood of execution would become an important factor when speed of execution has high importance.

Likelihood of settlement

For equity trades this is not usually an important consideration as virtually all markets that St. James's Place Funds trade in are delivery versus payment.

Order Size

The need to execute in size can be important when an Investment Adviser wants to either implement or exit a position quickly or where Investment Advisers wish to minimise market impact due to the information leakage associated with smaller fills.

7. FIXED INCOME AND RELATED SECURITIES – VENUE SELECTION PROCESS

The majority of orders in fixed income instruments are executed on a principal trade basis. Trades are executed on one of the market's trading venues, multi-lateral trading platforms or directly with counterparties. In addition to principal type trades, orders can be placed with counterparties to work on an agency trade basis.

Typical execution strategies

The execution approach is determined by assessing the inherent characteristics of the order against the backdrop of current trading activity in the bonds and market conditions.

Orders in liquid bonds, where there is sufficient liquidity to execute the order with little market impact, are typically managed on a low touch basis. Low touch orders would typically be in government, government agency, supranational and investment grade corporate bonds.

Ordinarily, low touch orders are executed on one of the multi-lateral trading platforms via an RFQ process. Otherwise, SJP Investment Advisers will source quotes from counterparties based on knowledge of their core strengths, their likely positioning, willingness to quote and current advertised interest in the bond. This process can be executed on a multi-lateral trading platform or directly with the counterparties. Typically, in an RFQ process, the Investment Advisers will obtain multiple quotes.

High touch orders require a greater level of Trader and counterparty management. Typically, high touch orders will have a market impact, as they are large in size relative to the market or orders in known illiquid investments. High touch orders are likely to be in; high yield bonds; emerging market bonds; insurance linked bonds; asset backed securities; and longer or very short dated bonds where there may be few active market participants.

High touch orders can be executed on a principal trade or agency trade basis, or a combination of the two.

Term deposits

Where cash is placed on deposit, our Investment Advisers seek the most competitive rates from the banks that are on the relevant approved counterparty list. The Investment Adviser is responsible for ensuring that a sufficient number of different banks are used so that counterparty concentration risk is managed.

7.1 Execution Factor Relative importance

Price

Ordinarily, price is the most important factor. For high touch orders price may become less important than the need to execute urgently (speed) or the need to execute in larger size to avoid the impact of information leakage on price. It may be more important to either exit or implement the investment idea than to improve the execution price.

Cost

Commissions are not charged on fixed income securities and therefore cost, according to the definition in this Policy, is not an execution factor considered.

Speed

There are certain occasions when speed will be more important than price. This could occur when a Investment Adviser wishes to implement or exit an investment strategy urgently or where there is a large subscription or redemption request.

Likelihood of execution

Likelihood of execution would become an important factor when speed of execution has high importance.

Likelihood of settlement

For fixed income trades this is not usually an important consideration as virtually all markets that St. James's Place Funds trade in are delivery versus payment. For time deposits, our Investment Advisers only place deposits with those banks approved for the purpose by them.

Order Size

Execution size will be important for large trades and as a result, price may become a less important factor.

8. EXCHANGE TRADED DERIVATIVES – VENUE SELECTION PROCESS

Exchange traded derivatives are ultimately executed on the order books of the relevant exchanges and orders are placed with counterparties who are members. They route the order to the exchange or match it with other orders they are managing. In addition to placing orders with counterparties, liquidity can also be accessed by trading with a counterparty in a principal trade.

In general, exchange traded derivatives are not fungible and therefore they can only be executed on one trading venue. As a result, principal trades apart, as there is only the exchange price, timing is generally the most important factor in determining the execution outcome.

Typical execution strategies

Orders that should have little market impact are sent to a counterparty for immediate execution on the relevant exchange. Larger orders, where speed of execution is critical, may be executed as a principal trade.

When futures contracts are approaching their expiry date and the Investment Adviser wishes to maintain market exposure, the contracts are rolled. This means that the current contract is either purchased or sold, depending on whether it is short or long, and a new contract with a future expiry date is sold or purchased. In advance of the expiry date, the Investment Advisers will consider the number of contracts to be rolled. The rolling process is organised so as to trade in sufficient liquidity to secure the best outcome. Rolling futures incurs a trading cost, so it can be beneficial to reduce the number of rolls.

8.1 Execution Factor Relative importance

Price

Ordinarily, price is the most important factor.

Cost

The explicit costs for trading exchange traded derivatives are negligible, therefore costs are not an important factor.

Speed

There are occasions when speed will be more important than price. This could occur when a Investment Adviser wishes to implement or exit an investment strategy quickly.

Likelihood of execution

Likelihood of execution would become an important factor when speed of execution has high importance.

Likelihood of settlement

Exchange traded derivatives settle via central clearing processes and therefore this is a less important factor.

Order size

Fill size will be important for large block trades executed as a principal trade.

9. OVER THE COUNTER DERIVATIVES – VENUE SELECTION PROCESS

OTC derivatives are usually traded on a principal trade basis rather than on a trading venue. However, in some instances regulations require that certain derivatives will be traded on an organised market.

OTC derivatives are usually collateralised under bilateral trading agreements or through a central clearing party.

Typical execution strategies

Vanilla interest rate, inflation linked, credit default swaps and repurchase agreements are actively traded in highly liquid inter-bank markets where there are a large number of participants quoting on a continuous basis. Therefore, orders that are standard market size are executed on an RFQ basis where our Investment Advisers typically go out to multiple counterparties to quote, taking the best quote.

When executing orders in bespoke OTC derivatives, such as total return swaps on equity, or gilt returns and OTC options there is no actively traded market and therefore limited price information immediately pre-trade. However, our Investment Advisers are engaged with their counterparties on an on-going basis and play an active role in the price discovery process.

For bespoke OTC derivatives our Investment Advisers select counterparties who they trust will provide good execution capability in the particular instrument. The number of counterparties put in competition can vary and it can be the case that where execution speed is important, a smaller number of counterparties are approached.

9.1 Execution Factor Relative importance

Price

Ordinarily, price or the all-in economics, including any break fee, will be the most important factor.

Cost

Commissions are not charged on OTC derivatives and therefore cost is not an execution factor.

Speed

There are certain occasions when speed will be more important than price. This could occur when an Investment Adviser wishes to implement or exit an investment strategy quickly.

Likelihood of execution

Likelihood of execution would become an important factor when speed of execution has high importance.

Likelihood of settlement

In OTC markets, this is an important factor. The risk is mitigated through the counterparty credit risk assessment carried out by the Investment Advisers and, in the vast majority of cases, our Investment Advisers have collateral management arrangements in place. As a result, whilst this is an important factor overall, ordinarily, this is not an important consideration in the execution strategy deployed by the Investment Advisers because they are selecting from pre-approved counterparties.

Order size

Execution size will be important for large trades and as a result, price will become less important.

10. FOREIGN EXCHANGE – VENUE SELECTION PROCESS

Foreign Exchange Traders execute foreign exchange for trade settlement and investment purposes. St. James's Place Funds execute foreign exchange products such as: spot; forwards; and non-deliverable forwards (NDF).

The majority of foreign exchange trading in the St. James's Place Funds is carried out to ensure that the correct currency is in place to fund the non-base currency security trade for purchases and to ensure that currency is swept to the base currency for sales.

St. James's Place Investment Advisers either execute trades with our custodian, in which case discretion is limited in timing, or the Investment Adviser manages the whole process. There are markets, known as "restricted currency markets", where the currency has to be traded by a local entity, typically with a sub-custodian.

The foreign exchange market is an OTC market. Investment Advisers can execute directly with counterparties on a principal trade basis or place orders with those counterparties or utilise their Algorithms on an agency trade basis.

As foreign exchange is an OTC market, the likelihood of settlement is an important factor.

Typical execution strategies

Low touch, smaller size and liquid orders, which are typically trade related orders, are placed in an RFQ process electronically on a multi-bank MTF platform.

High touch orders, larger, less liquid currencies or NDF orders, are typically placed directly with counterparties or negotiated with a single trusted counterparty.

10.1 Execution Factor Relative importance

Price

Price is an important factor, especially for low touch orders. For high touch orders price may become less important than the need to execute urgently (speed) or the need to execute in larger size to avoid information leakage having an adverse impact. Foreign exchange is an OTC market where payment versus payment is not mandatory and therefore price is secondary to likelihood of settlement.

Cost

Commissions are not charged on foreign exchange trades and therefore cost, according to the definition in this Policy, is not an execution factor considered. However, trading spreads are an important implicit cost and these are included in the consideration of price above. Spreads are monitored closely and spread matrices monitored across currency pairs and trade bucket sizes.

Speed

There are certain occasions when speed will be more important than price. This could occur when an Investment Adviser wishes to implement or exit an investment strategy quickly.

Likelihood of execution

Likelihood of execution would become an important factor when speed of execution has high importance.

Likelihood of settlement

As mentioned under "price" above, this is the most important factor. For trade related foreign exchange trades the objective is to ensure that currency is in place to fund the security trade for purchases and to ensure that currency is swept to the base currency for sales. Therefore, likelihood of settlement is a critical factor.

Order size

The need to execute in size can be important when an Investment Adviser wants to either implement or exit a position quickly or wishes to minimise the information leakage associated with smaller fills.

11. DEALING IN COLLECTIVE INVESTMENT SCHEMES

Our Investment Advisers generally execute transactions in collective investment schemes with the fund provider at the official price since they do not consider that sufficient liquidity is available elsewhere to enable us to obtain the best possible result on a consistent basis. This can be done by a direct instruction or via an electronic trading platform.

Likelihood of settlement

The likelihood of settlement refers to the probability that an order will be settled or settled within the normal settlement cycle. This is a more important factor in markets that do not have delivery versus payment or payment versus payment settlement processes. In addition, the likelihood of settlement is important to our Foreign Exchange Traders when executing trade related foreign exchange trades to ensure that the underlying securities trades will settle on time.

Order size

The need to execute in size can be important when an Investment Adviser wants to either implement or exit a position quickly or where they wish to minimise market impact due to the information leakage associated with smaller fills.

12. EXECUTION VENUE MONITORING AND ASSESSMENT

Our Investment Advisers monitor the performance of the execution venues on an ongoing basis through a combination of processes:

i. Discussions between Traders and counterparties on an order by order basis.

ii. Use of transaction cost analysis tools to assess trading performance for equities, foreign exchange and fixed income.

iii. Counterparties are subject to ongoing review of operational capabilities, financial strength and regulatory compliance.

12.1 Governance

The following are the key elements of our execution governance and oversight framework.

Prior to taking on a new Investment Adviser St. James's Place undertakes a rigorous due diligence process which includes a review of the Investment Adviser's Best Execution process. This due diligence continues on a rolling basis whilst the Investment Adviser remains on St. James's Place books.

St. James's Place expect that Best Execution is given a high priority by the Investment Adviser and that they each have a robust governance structure in place appropriate to the type of instruments being traded and the size of the organisation.

Through our due diligence process we ensure that the Investment Adviser is able to demonstrate that the ultimate oversight of the Best Execution process, including making decisions as to which trading venues or counterparties they should deal with, rests with senior management of the Investment Adviser.

We review our execution arrangements and this Policy on an ongoing basis and we will notify clients of any material changes. The Policy will be formally reviewed on an annual basis and re-published on the St. James's Place website.

APPENDIX 1

Major Execution Venues by Value (Year Ended 31 December 2017)

Counterparty	Equities	Fixed Income	Exchange Traded Derivatives	OTC Derivatives	Foreign Exchange
Bank of America	✓	✓		✓	
J P Morgan	✓	✓			
Citi Group	✓	✓		✓	
Macquarie	✓			✓	
Merrill Lynch	✓	✓		✓	
Goldman Sachs	✓	✓		✓	✓
Morgan Stanley	✓	✓		✓	
HSBC	✓	✓		✓	✓
UBS	✓	✓		✓	
Barclays	✓	✓		✓	
Credit Suisse	✓	✓		✓	
Royal Bank of Scotland	✓	✓		✓	
State Street Bank	✓	✓			✓
Jefferies International	✓	✓			
BNP Paribas	✓	✓		✓	
Investment Technology Group	✓				
BGC Financial	✓	✓			
Toronto-Dominion Bank	✓	✓			
Societe Generale	✓				
Rabobank		✓			
Natixis	✓	✓			
Sanford C Bernstein	✓				
Nomura	✓	✓			
Danske Bank	✓	✓		✓	
RBC	✓	✓			
ITG	✓				
Instinet	✓				
Wells Fargo	✓	✓			
Redburn Partners	✓				
Royal Bank of Canada	✓	✓			

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