

Order execution policy

J.P. Morgan Asset Management (UK) Limited

1. Introduction and Scope

This policy applies to J.P. Morgan Asset Management (UK) Limited (JPMAM') when either executing orders regarding financial instruments as defined by Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID II") or when placing orders in such financial instruments with other entities for execution. As of the date of this policy, all of JPMAM's clients are categorised as Professional Clients and the policy addresses JPMAM's obligations in respect of this category of client.

JPMAM must, when providing portfolio management services, act in the best interests of our clients when placing orders with other entities for execution that result from JPMAM's decision to deal in financial instruments on behalf of our clients. In order to comply with this obligation, JPMAM shall take all sufficient steps to obtain the best possible result for our clients. This obligation also applies where JPMAM itself executes orders on behalf of our clients. JPMAM must take into account a range of execution factors in order to deliver best execution and determine their relative importance based on the characteristics of our clients, the orders we receive and the markets in which we operate. The factors JPMAM need to consider when delivering best execution are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

2. Delegation

JPMAM may in certain circumstances delegate portfolio management duties (in part or full) to its affiliates or other third party service providers. In such circumstances, JPMAM takes all sufficient steps to ensure that the service provided by such third parties is performed in accordance with the best interests of our clients and any relevant laws or regulations.

3. Executing orders on behalf of clients vs placing orders with other entities for execution

JPMAM, when executing orders on behalf of clients, executes the order directly against an execution venue.¹ In this instance, JPMAM owes its client a duty of best execution.

Where JPMAM places orders with other entities for execution, the obligation to provide best execution rests not only with JPMAM but also with the other entities. In this instance, JPMAM is responsible for the oversight and monitoring of the execution quality provided by the other entities. This enables JPMAM to comply with its own best execution obligations under MiFID II.

JPMAM may execute orders on behalf of clients or place orders with an entity that may execute outside of an execution venue. In these instances, there is a risk that the venue chosen cannot honour its obligation. This risk is mitigated by only transacting with approved counterparties (for more details please see Section 7 - Selection of Execution Venues), ensuring that the correct documentation is in place (e.g. ISDA Master Agreement) and using collateral where appropriate.

4. Client Specific Instructions

Where JPMAM receives specific client instructions, we attempt to execute transactions in accordance with those instructions. However, it is important to be aware that such instructions may prevent JPMAM from obtaining the best possible result for its client.

JPMAM considers all other relevant execution factors that are not covered by the specific client instructions when executing the transactions.

¹ Execution venues include: regulated markets, multilateral trading facilities, organised trading facilities, systematic internalisers, market makers, other liquidity providers and comparable third country entities.

5. Governance and Oversight

JPMAM delegates the ongoing responsibility for the oversight of execution quality to regional and global trading practices oversight committees ('TPOC'), which ultimately report into the Board of JPMAM.

Equity, Fixed Income and Currency, and Liquidity each hold their own TPOC meeting quarterly and this committee is responsible for the oversight of trading activities including but not limited to; evaluation and ongoing review of the effectiveness of policies and procedures, reviewing trading & execution including costs; evaluation of broker reviews and broker selection policies; evaluation of the management of actual and potential conflicts of interest; monitoring the usage of affiliated brokers. TPOC meetings are minuted and the minutes are retained by the relevant Business Management team. Where required, items discussed at TPOC may be escalated to the relevant Management and / or Risk & Control Committee and to the JPMAM Board or JPMorgan Chase Bank, N.A Fiduciary Committee as appropriate.

In addition to the TPOC, each line of business discuss best execution in regular formal and informal management meetings, including but not limited to:

- Monthly Best Execution Working Group/Trading Execution Forum;
- Broker Review meetings;
- CIO Quarterly Execution meetings; and
- Investment Director Review meetings.

6. Order Execution

JPMAM must take all sufficient steps to obtain the best possible result when executing orders on behalf of clients or placing orders with other entities for execution. In line with this regulatory requirement, JPMAM has in place processes which are designed to obtain the best possible execution result on a consistent basis taking into consideration the following execution factors:

- Price;
- Costs (implicit and explicit);
- Speed of execution;
- Likelihood of execution;
- Likelihood of settlement;
- Relative size of the order;
- Nature of, or any consideration relevant to, the order;

- Liquidity of instrument;
- Confidentiality provided by a counterparty; and
- Consistent quality of overall service from the counterparty.

When assessing the relative importance of these factors, JPMAM also considers the characteristics of the client; the client order; the financial instruments that are the subject of the order; and the execution venues to which the order can be directed. JPMAM seeks to manage portfolios in the best interest of clients and to obtain the best possible result considering the client's investment objectives.

Each order executed on behalf of a client is unique in its characteristics and is subject to prevailing market conditions, liquidity, investment strategy and, where relevant client guidelines. Whilst the relative importance assigned to execution factors vary, JPMAM believes that price and costs (both implicit and explicit) together usually merit high relative importance in achieving best execution. However, other factors may take precedence, where for example costs are uniform or negligible across counterparties for fixed income products, or speed of execution may be more important due to the nature of the order, or the order is large compared to the liquidity of the relevant financial instrument.

Asset Class Specific Considerations

The following section details how the relative importance of execution factors vary based on asset class specific constraints and considerations. For the purposes of this policy, asset class descriptions reflect Annex I classes of financial instruments as laid out in Annex I of EU Regulatory Technical Standard 28.

Shares & Depositary Receipts

Equities offer one of the most diverse sets of available execution venues and strategies. Due to the high availability of information pre and post trade, the processes and procedures used are often more quantitative than for some other asset classes.

When implementing client orders, the trading strategy chosen is primarily driven by the order's size, urgency, liquidity of instrument, and the impact (if any) the order may have on the market. The order's urgency is generally driven by the portfolio manager's instruction, the market view of the trader and the requirements of the client.

For liquid financial instruments, price and costs are often prioritised higher than other execution factors.

For less liquid financial instruments, emphasis is placed on factors such as the liquidity available from an execution venue, speed of execution and confidentiality provided by a counterparty.

Equity Derivatives & Securitized Derivatives

The considerations for equity derivatives and securitized derivatives can be seen as an extension of the factors already discussed for Equities. Some additional factors are discussed below.

For financial instruments where there is a link between the derivative and the underlying financial instrument (such as options, futures and convertible securities), JPMAM considers the characteristics of and the relationship to the underlying security(s) in addition to the characteristics of the derivative.

Over the Counter (OTC) equity derivatives are typically less liquid, have less directly observable pricing information and are more constrained in the manner in which they can be executed. As such, emphasis is placed on the liquidity available from an execution venue, speed of execution and consistent quality of overall service from the counterparty.

Structured finance instruments

Structured finance instruments are typically less liquid and have fewer accessible counterparties. This often results in an increased focus on liquidity, costs and consistent quality of overall service from a counterparty.

Bonds

Due to the nature of the OTC market for bonds, orders are negotiated with execution venues on a bilateral basis. Execution factors considered include; likelihood of execution and settlement, speed of execution, consistent quality of overall service from the counterparty and the provision of the appropriate level of liquidity at an appropriate price.

OTC Derivatives

For the purposes of this policy OTC derivatives include Interest Rate, Credit, Currency, and Commodity derivatives.

In addition to the considerations stated above for Bonds, counterparties for OTC derivatives need to have the appropriate documentation in place (clearing and execution agreements for Swap Execution Facilities / cleared trades or ISDA Master Agreements, Credit Support Annexes and collateral accounts for bilateral trades).

Exchange Traded Derivatives

For the purposes of this policy, Fixed Income Exchange Traded Derivatives include Interest Rate, Credit, Currency and Commodity derivatives.

Due to the high availability of pre trade information for exchange traded derivatives, emphasis is placed on likelihood of execution, the speed of execution and the liquidity provided by an execution venue.

Money Market Instruments

For the purposes of this policy, money market instruments are those with an initial or remaining maturity at time of purchase of 397 days or less.

Due to the nature of the OTC market for money market instruments, orders are negotiated with execution venues on a bilateral basis and therefore emphasis is placed on likelihood of execution and settlement, price and liquidity available from an execution venue.

For some money market instruments such as Repurchase Agreements and Time Deposits, emphasis is placed on the supply provided by an execution venue, the likelihood of execution, likelihood of settlement and consistent quality of overall service provided by an execution venue. JPMAM tends to accept the prevailing market price when trading in these instruments, so price is not a consideration.

7. Selection of Execution Venues

JPMAM continually assesses execution venues to determine whether they are able to provide best execution on a consistent basis. JPMAM's independent Counterparty Risk Group assesses, approves, monitors, and periodically reviews counterparties. JPMAM's traders and portfolio managers continually consider the quality of service provided by counterparties. JPMAM believes that execution quality can be improved for certain asset classes when our in-house traders situated locally place trades for execution, making use of local knowledge and working in local time zones. As a result JPMAM has made arrangements, where relevant, to route orders through its centralized dealing or trading desks in the United Kingdom, the United States or Asia. This practice is known as utilizing "Centres of Excellence".

Order execution policy

JPMAM executes transactions for our clients in various ways: it places orders with execution venues located in the local markets in which they operate who themselves may be subject to best execution requirements in these circumstances. They, in turn, may execute the transaction on an execution venue or by executing on their own account. Some execution venues operate as a Systematic Internaliser as they frequently deal on their own account by executing outside of execution venues in substantial volumes.

JPMAM may request a quote to trade over the counter with an execution venue on behalf of a client. The transaction is executed with the execution venue where JPMAM believes the terms enable best execution to be achieved. This method of dealing is customary and predominant in the fixed income and currency markets but may also be used for other instruments such as equities and derivatives when it is believed that it achieves best execution for clients.

Any method of execution must be evaluated in the context of permissible and impermissible affiliated transactions and pre-arranged trading. Strict guidelines are applied to such transactions, with accompanying trade surveillance and monitoring being performed by Compliance.

Subject to the execution factors listed in Section 6, we consider some or all of the following criteria in choosing the most appropriate venue or counterparty to seek to obtain best execution, depending on the order:

- The size of the order relative to other orders in the same financial instrument
- The need to minimize the possible market impact
- Access to liquidity/natural order flow
- Whether or not the security is traded on exchange or over the counter
- The client mandate and client restrictions
- Overall evaluation of the counterparty from the Counterparty Risk Group
- Clearance and settlement reliability and capabilities
- Commission rates and other costs
- Characteristics of the execution venue(s) to which the order can be directed
- Any other relevant factor

Equities

JPMAM traders select an execution venue based upon the factors previously identified. In addition, the trader has a responsibility to use reasonable diligence to understand the conditions prevailing in the market at time of execution and how the underlying investment motivation may influence choice of execution venue.

The trader's decision around selection of execution venue is dependent upon their choice of execution strategy and channel provided by a broker, (e.g., Agency Program or Algorithm). Whilst traders consider the execution factors previously discussed on a trade by trade basis, they calibrate the weight of these factors based on the strategy chosen.

JPMAM may use independent pre-trade analysis to aid price discovery, to project the cost of the trade and to assist traders in identifying and establishing a strategy prior to placing an order in the market.

The results of the monitoring process, as referenced in Section 11, influences the execution venues selected.

Fixed Income including Money Market Instruments

JPMAM selects an execution venue based on the factors previously discussed. However, other considerations include:

The trader has a responsibility to use reasonable diligence to understand the characteristics of the specific asset class, the conditions prevailing in that specific asset class at time of execution and how the underlying investment motivation may influence choice of execution venue.

For each transaction, it is JPMAM's policy for the trader to endeavour to obtain and record multiple quotes or indications from a number of leading brokers in the specific asset class. Where it is not appropriate or achievable to obtain multiple quotes or indications, the trader must document those circumstances and the rationale for the decision taken. For liquid financial instruments, it is preferable for the trader to obtain three quotes or indications.

Speed of execution: choice of execution strategy is frequently a compromise between speed of execution and breadth of price discovery, including managing the risk of any market impact that may be detrimental to the overall investment strategy. Therefore, for some strategies it may be appropriate to limit the extent of information gathering to ensure effective and timely execution without causing undue information leakage into the market.

Syndicated new issues: the traders normally submit the order to all lead syndicate members but book the transaction to the designated 'bill and deliver' syndicate member (or an alternative to address potential conflicts relating to affiliate trading). Due to the nature of the syndicate new issue process, the price the security is purchased is invariant of the booking counterparty selected.

Package trades (trades combining two or more instruments): these components may include cash bonds, OTC derivatives and/ or exchange traded or centrally cleared derivatives. For such trades, the venue selection is based on ability to execute every component of the package and to provide optimal liquidity at the optimal price for the whole package rather than the best price on any one individual component.

Block trades: large and/or illiquid exchange or Swap Execution Facility traded derivatives transactions may be executed OTC on a 'block' basis with a chosen counterparty. In such circumstances and subject to the execution factors mentioned above, it is the trader's judgement that taking such an approach provides a better outcome than executing directly into the market.

Currency

The JPMAM currency trading desk selects an execution venue based upon the same factors as fixed income instruments mentioned above. However, currency markets are somewhat different to other OTC markets in that there is usually a high quality continuous indicative price available, representing the price where a small unit of risk could be executed. These prices are disseminated by third party market data services (Bloomberg, Reuters, etc.) and enable the trading desk to have a high level of transparency into the neutral or fair mid-market level of an instrument. These indicative prices are electronically captured at time of execution and the desk is alerted if a transaction falls outside a predefined tolerance to these indicative prices.

The majority of JPMAM's currency transactions are executed electronically on a 'request for quote' (RFQ) or 'request for stream' (RFS) basis. Eligible venues/ counterparties are polled to deliver a price for the transaction and the trading system selects the best price available at the point of execution. For larger/ less liquid orders, traders may seek manual quotes from individual counterparties.

Collective Investment Schemes

When buying or selling units in collective schemes, JPMAM submits the subscription or redemption request to the transfer agent of the scheme who effects the transaction at the prevailing net asset value.

8. Checking the fairness of proposed prices for OTC products

When executing trades in OTC products, JPMAM is required to check the fairness of the proposed price. We may do this by utilising third party tools to compare prices, using historic quotes where viable or obtaining multiple quotes/ indications from a number of leading brokers where appropriate.

9. Use of Single Execution Venues

JPMAM may use single execution venues for certain instruments including but not limited to; credit linked notes and P-Notes. In such circumstances JPMAM is required to demonstrate that best execution requirements are satisfied. Any such execution is monitored in line with Section 11.

10. Reasonableness of Execution Commission

For those markets and instruments where commissions are paid (typically for equities and futures), JPMAM negotiates commissions to achieve the best possible result for clients.

The availability of market liquidity is one of the key drivers in the selection of an execution venue and hence commission rates. Accordingly, it is important to view commissions as part of the total transaction cost borne by our clients. In addition to commissions and taxes, we also consider the 'implementation shortfall'. The 'implementation shortfall' is the difference between the arrival price (i.e. price of the security at the time the order is approved by the trader) and the average execution price of the order, (including commissions paid to the broker). The 'implementation shortfall' is typically many times larger than the commission costs and at times it may be advantageous to trade in a way which requires a higher level of intermediary service (incurring higher commission costs) in order to reduce the overall cost of the transaction.

There is a standard rate of commission for all execution venues within each market with special terms negotiated for certain orders such as program/portfolio transactions and transactions in illiquid stocks. JPMAM evaluates general industry practices with respect to commission levels and rates charged by execution venues. Additionally, JPMAM from time to time gathers intelligence on the brokerage community in order to maintain a view on negotiated commissions. This allows JPMAM to take advantage of the competitive environment in negotiating commission rates that are considered fair and reasonable for its clients.

11. Monitoring Best Execution and Execution Venues

The effectiveness of JPMAM's ability to achieve Best Execution is overseen by trading desks in each jurisdiction who are responsible for continuously monitoring execution quality. They use third party and proprietary tools to assist with this monitoring. Results of monitoring are discussed at regular product specific meetings (Equity, Fixed Income and Currency and Liquidity) and escalated to the appropriate TPOC if there are material concerns. JPMAM is responsible for evaluating the execution arrangements of the entities through which we place orders on behalf of our clients and monitoring the execution quality provided by such entities.

Equity

Equity trades are monitored on a continuous basis by a dedicated team of analysts whose role encompasses the optimisation of trading processes and refining the process by which execution performance is measured. This provides a continuous feedback loop into the implementation process and allows the trading desk to maintain robust, systematic processes. Traders, analysts and senior management have ongoing access to data which can be used to benchmark performance and support decisions outside of a formal review process.

Fixed Income including Money Market Instruments

Where feasible, fixed income trades are evaluated relative to an appropriate reference price and the distribution of achieved execution outcomes reviewed relative to expectations. However it should be noted that many fixed income trades are executed OTC in markets where there is not a continuous or high quality reference price and so the opportunity for granular execution quality analysis is potentially limited.

Currency

As part of the trade life cycle; currency trades are monitored taking into consideration the execution factors mentioned elsewhere in this policy. Additionally, JPMAM uses multiple internal benchmarks, reference rates sourced from market data providers, and external third party TCA vendors to compare results with expected and targeted outcomes.

Derivatives

Derivatives are monitored in line with the underlying asset class process as set out above.

12. Compliance Monitoring

The AM Trade Surveillance team performs surveillance activity in relation to best execution using transaction cost analysis data and identifies price outliers for equity, fixed income and currency asset classes and associated derivative instruments, as appropriate. For fixed income and currency asset classes, the AM Trade Surveillance team may also review whether the execution prices are compatible with the best available quotes. AM Trade Surveillance assesses the reasons for price outliers and may consider other execution factors when conducting this assessment.

Transactions requiring escalation are raised to LOB Compliance through the Market Conduct Violation Framework, involving appropriate business personnel, as needed. Any issues identified are escalated promptly through defined channels and tracked to resolution. In addition, themed or regular, ongoing surveillance reviews may be introduced or increased in frequency where issues have been identified or new business processes or systems established.

LOB Compliance in conjunction with AM Trade Surveillance continues to review monitoring techniques and therefore the frequency of reviews may change.

13. Conflicts of Interest

JPMAM is required to identify and to prevent or manage any actual, potential or perceived conflicts of interest to ensure that it does not place its own interests above its clients' interests and must, at all times, observe the fair treatment of all of its clients.

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To fulfil this requirement, JPMAM maintains and operates effective organisational and administrative arrangements, and implements policies and procedures designed to identify, monitor and to prevent or manage any actual, potential or perceived conflicts of interest and ensure that JPMAM employees conduct business activities in accordance with the principles stated above.

JPMAM may from time to time deal on behalf of a client with an Affiliated Company (subject to applicable laws, regulations and client restrictions). Any such dealing is on an arms length basis. The use of Affiliate execution venues are discussed at the appropriate governance meeting(s) and escalated where necessary (in line with Section 5).

14. Review of Execution Policy

JPMAM is obliged to review this policy and its order execution arrangements at least annually and as well as whenever there is material change that affects our ability to obtain the best possible result for the execution of orders on a consistent basis. If there is a material change in JPMAM's execution arrangements, JPMAM notifies clients to make them aware. For the purposes of this policy, a material change is a significant event which could materially impact the execution factors mentioned elsewhere in this document. The addition or removal of a broker from our approved counterparty list is not deemed to be a material change

15. Execution Venues

JPMAM may use the following execution venues when seeking best execution. This list may be subject to change and may be revised from time to time.

Equity

This list is based on execution venues which account for 90% of notional trades in EMEA.

Bank of America Corp
Barclays PLC
BTIG LLC
Citigroup INC
Flow Traders
Goldman Sachs Group
Jane Street Capital LLC
Jefferies LLC
Joh Berenburg Gossler & Co
Liquidnet Inc
Morgan Stanley Corp

Nomura Holdings Inc
Numis Corp PLC
Redburn LTD
Skandinaviska Enskilda Banken AB
Societe Generale
Susquehanna Financial Group LLP
UBS AG
Virtu Financial INC

Fixed Income & Currency

This list is based on execution venues which account for 90% of total costs (both implicit and explicit)

Bank of America Corp
Barclays PLC
BNP Paribas
Citadel Investment Group
Citigroup INC
Credit Agricole Group
Daiwa Securities Group INC
Deutsche Bank AG
Goldman Sachs Group
Hsbc Holdings PLC
Morgan Stanley Corp
Nomura Holding INC
Royal Bank of Canada
UBS Group AG
Wells Fargo & Company

Liquidity

This list is based on execution venues which account for 90% of total costs (both implicit and explicit)

Agricultural Bank of China
Bank of America Merrill Lynch
Bank of China
Banque Federative Du Credit Mutuel
Bank of Montreal
Bank of Nova Scotia
Bank of Tokyo Mitsubishi
Banco Santander
Barclays Bank
BGC Partners
BNP Paribas
Bred Banque
China Construction Bank
Citigroup
Commerzbank AG
Commonwealth Bank of Australia

Order execution policy

Credit Agricole
Credit Suisse
Development Bank of Singapore
Erste Bank
DZ Bank
First Abu Dhabi Bank, PJSC
Goldman Sachs
HPC SA
ING Bank
JP Morgan
KBC Bank
La Banque Postale
Landesbank Baden Wurttemberg

National Australia Bank Limited
Natixis Banque SA
Pohjola Bank
Rabobank
Royal Bank of Canada
Royal Bank of Scotland
Santander UK
Societe Generale
Standard Chartered
Sumitomo Mitsui
Toronto Dominion
Tradition London
UBS