



**Aggregation and Allocation Policy
May 2022**

Overview

This policy applies to all financial instruments that LPFI transacts in on behalf of its clients under equity and fixed income mandates managed by LPFI. The portfolios of assets owned by Lothian Pension Fund (“LPF”) are not managed by LPFI. LPF is internally-managed.

The aggregation and allocation of client orders must be effected in a manner which is fair and equitable to all clients.

Aggregation

LPFI does not trade on its own account but acts as the discretionary investment manager for a number of clients. Allocations are determined by the portfolio manager responsible for the individual portfolio in accordance with the relevant client agreement. For the avoidance of doubt, LPFI staff are prohibited from aggregating personal account dealing orders with client orders.

When carrying out its discretionary investment management activities, LPFI may make single investment decisions on behalf of multiple clients. LPF may make the same investment decision, and LPFI would be instructed to transmit an order on behalf of LPF. In these circumstances, LPFI will aggregate multiple orders for the same security, with the same order objectives, so that it can send a block trade for execution where LPFI believes that it is in the best interests of all clients involved.

Where orders are aggregated with other client orders, these orders will be allocated in a fair and reasonable basis. Aggregation of orders is common practice and should provide LPFI opportunity to return a consistent and fair execution. In the event that an aggregation would disadvantage a client, it will be disclosed to each client whose orders are aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order.

Post-trade Allocation

Executed aggregated orders will be then be allocated among the LPF and client portfolios on a fair and reasonable basis using the traded price, and in accordance with the orders originally allocated pre-trading.

When orders are executed by multiple fills over several days, LPFI will allocate the financial instruments in question using a calculated average price (or, in the case of equity trading, will instruct Northern Trust Securities LLP to do so, as its delegated provider of execution services).

If the aggregated orders can be executed only partially, i.e. where, due to market conditions, the whole of the transaction cannot be satisfied and hence only provides the client with a part of the transaction, LPFI allocates on a reduced *pro rata* basis. This means that a client will receive its proportion of the partially executed order taking into account the best possible final result for such

client, and the equal treatment of all clients. The subsequent related orders required to complete the original aggregated order must be allocated on the same basis as the original order.

LPFI may deviate from the *pro rata* allocation if it justifiably believes that the expected benefits of the executed aggregated order cannot be realised by receiving a *pro rata* allocation. In such circumstances, the relevant portfolio manager will be required to seek prior written approval from the CIO and CRO by submitting a detailed explanation of the rationale for the deviation.

Orders would not be allocated to a client if it would be uneconomic or prohibitive, from a dealing cost point of view, for the client. An allocation would be regarded as uneconomic or prohibitive if the administrative cost of the transaction was disproportionate to the value of the stock allocated. All allocations should be made on a timely basis.

Record Keeping

LPFI shall use its order management system to maintain a record of allocations by client and shall update the records where there is a reallocation.

Communication to Clients

This policy, as may be updated from time to time, shall be available to LPFI's clients via its website at www.lpf.org.uk/about/lpfi. A copy of this policy is provided to LPFI's clients prior to the launch of any investment management services and such clients are asked to consent to the terms of this policy. LPFI will inform clients of any material changes to the policy and upon request, LPFI will provide further explanation about it to clients.

Reviewing this Policy

The policy is formally reviewed on an annual basis. Modifications to this policy could occur as a direct result of the review or as a consequence of a material change in LPFI's aggregation and allocation arrangements or regulatory obligations.