

BEST EXECUTION POLICY

DECEMBER 2009



Execution factors and execution criteria

Octopus Investments Ltd ("Octopus") has a policy when executing orders for all financial instruments on behalf of either a professional or retail client to achieve best execution under the Markets in Financial Instruments Directive ("MiFID") The FSA's Conduct of Business sourcebook, and specifically section COBS 11.2 (Best Execution) requires Octopus to take into account various execution factors including price; cost; speed; market impact, likelihood of execution and settlement; size; or any other consideration relevant to the execution of the order. Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, we may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result. We will determine the relative importance of the execution factors by using our commercial judgment and experience in light of all information available and taking into account the execution criteria.

The execution criteria are defined as the characteristics of the client order (orders placed in the market will indicate a price range that is suitable for the investment decision), type of financial instrument (some shares are more liquid than others, and illiquid shares will be less easily tradable in volume, CIS may only be available at a single, forward looking, NAV determined price) and the execution venue.

Venues

Octopus's policy on execution venues when placing orders for stocks whose principal listing is in London will be through FSA regulated brokers/market makers who are members of The London Stock Exchange and/or Plus markets. When placing orders for CIS, Octopus will choose whatever venue is deemed to best meet the below defined factors of best execution. When placing orders for stocks and CIS overseas then Octopus will choose brokers/market makers to transact through who are reputable, of good standing and in any event, where required, are authorised by the competent authorities of the relevant jurisdiction.

Regulated and unregulated markets

Octopus will execute trades or transmit orders both in and outside regulated markets or multi-lateral trading facilities.

Factors

When executing an order, Octopus will take into account any specific instructions from the client and a number of key factors including but not limited to:

- Financial instrument subject to the order
- Price of the financial instrument
- Size of the order
- Speed and likelihood of execution
- Market conditions
- Execution venues available to the order

The above are defined as:-

Price

The Firm believes that price is the most significant factor and therefore rates the price as being of primary importance and all subsequent factors as secondary. When transacting in market quoted instruments through brokers/market makers, Octopus' authorised dealers will, where possible with reasonable effort, cross check the broker quote to an appropriate life price feed. When transacting in CIS, Octopus will have regard to bid and offer spreads vs. the mid NAV and where reasonably possible will choose transaction formats which minimise the adverse price impact of these within the legal and regulatory framework.

Where CIS are quoted on a forward pricing basis, we will monitor that the prices we eventually realise for our own CIS or clients match and are consistent with the respective published prices.

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Size and speed

The market may be quoting a price that represents trading in a particular size but this may not be the size that Octopus wishes to trade in. Large size trades in equities are negotiated as they have gone beyond the size where a transaction within the normal market size would take place and subsequently the orders are given to a dealer to negotiate and execute. In situations where Octopus works an order, it is impossible to compare the result with what another similar firm might have achieved. Speed is also related to size and this means that Octopus may execute the order on a staggered basis to limit the market impact of an unusually large order. In other instances Octopus may execute the order as a single trade. It is the policy of Octopus to execute business through FSA-regulated market makers and brokers trading in the applicable instruments while taking into account the price and size they are making in the instrument. When transacting in CIS, we will not attempt to avoid triggering manager imposed dilution levies by staggering larger transactions over longer periods of time, as this is deemed unethical. However, the Octopus fund managers and dealers will nevertheless endeavour to minimise the adverse impact of CIS dealing spreads by exploring flow matching opportunities with the respective CIS managers, where reasonable and permissible.

Cost

In non-CIS securities, Octopus does not believe that cost is the most relevant factor to giving the client best execution as we charge commission but do not pass onto clients the costs of execution i.e. transaction reporting fee, brokers' charges. We do not structure or charge our commissions in such a way as to discriminate unfairly between execution venues. In transacting in CIS, Octopus will, as a rule, favour lower fee share classes over share classes paying retrocession.

Probability of execution

Transactions in quoted shares and AIM-listed shares are settled through the CREST clearing system. Transactions in CIS are settled through appropriate, industry best practice clearing systems, where settlement responsibility resides with the appointed custodian. As such Octopus does not regard the probability of settlement in either case as relevant to its execution policy. For transactions in illiquid or unquoted investments, Octopus will ensure its aim is to achieve the best results on behalf of its clients, including size, speed and price of transaction.

Specific instructions

Where the client or the trustee of an Octopus managed CIS has provided Octopus with specific instructions regarding an order, we will execute the order in accordance with those specific instructions. The client should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking the steps set out in this execution policy to obtain the best possible result in respect of the elements covered by those instructions.

Monitoring and review

Octopus will, on a periodic basis, carry out monitoring of the best execution standards to ensure these are being maintained, and additionally review its execution policy and order execution arrangements on an annual basis. Whenever a material change occurs that affects our ability to continue to obtain the best possible results, we will update our execution policy by posting a revised version on our website www.octopusinvestments.com