RBS Collective Investment Funds Limited

Market Timing Policy

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1 Definition

Market timing is where investors predict the valuation level (and thus the price) of a fund in advance of the valuation point, and place trades accordingly.

This can occur where investments are traded in earlier time zones, such as the Americas.

For market timing to be most effective, trades need to be particularly large and attempts will often be made by the client to reduce, or remove any Dilution Levy in order to make the activity more profitable. This favourable treatment will need collusion with the dealers, and may work to the detriment of the fund concerned.

2 RBSCIFL Policy Statement

RBS Collective Investment Funds Limited ("RBSCIFL") does not condone or engage in market timing activities.

3 The RBSCIFL Funds

Within RBSCIFL, there is limited scope to allow investments in an earlier time zone. The Prospectuses are clear that requests received up to 15:00 on any business day are forward priced and hence are processed at the valuation point of 23:00 the same day. This forward pricing gives a measure of protection. Furthermore, the prospectuses also state that RBSCIFL as the Authorised Corporate Director ("ACD") may refuse a purchase or a switch if market timing is suspected.

4 Market Timing Risk

It is not considered that these funds would be a likely target for market timing abuse, as the underlying investors are usually private individuals, irrespective of whether they come through nominees or directly.

However, this policy is needed to ensure that any attempt is identified at an early stage.

5 Controls

- No investments incur an initial charge
- No staff are permitted to arrange discounts on any dilution levy for customers without the express permission of the RBSCIFL's Risk Management Committee ("RMC")
- Any Dilution Levy must be applied in accordance with the policy set by RBSCIFL
  - Any deviation from this policy must be cleared in advance by RMC
  - Additionally, a log will be maintained detailing transactions where Dilution Levy should normally be applied, which will help RMC look for any trends
- Fund Governance & Oversight/Financial Control jointly review the application of the Dilution Levy as part of their compliance oversight
- All funds are closed to new business, with the exception of the RBS Stakeholder Investment Fund ICVC, which accepts new Junior ISA customers. Top ups from existing customers are allowed. A selection of repurchases (customer sales) are reviewed for market timing, by investigating those which were subsequently cancelled.
- All large transactions are reviewed for suspicious deals, such as to see if clients are trading frequently and at what level. This will include trading activity which falls just below the Dilution Levy criteria which may suggest the staggering of multiple investments or repurchases

A dilution adjustment may be applied to any transactions on the Funds. Where large transactions take place above £250,000 or 1% of the Fund, these are automatically referred to RBS for review.

- A formal policy exists regarding box management, which specifies that RBSCIFL operates a zero box
- The Unit Pricing Policy also allows the application of Fair Value Pricing ("FVP") when markets are closed during normal trading times
- The spread of stocks in which investment takes place is not in the public domain
- Late deals are not permitted, except in some instances where there has been an administrative error on the part of RBSCIFL. Any approach by a client to deal late, or on an historic basis, would be rejected
- The Investment Manager also has its own policy on market abuse, which also supports the policy for RBSCIFL
- In-specie transfers are not usually requested on the RBS Funds, but as this is a requirement of the COLL regulations, these can be applied if circumstances dictate

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RBS Collective Investment Funds Limited.

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