

CONFLICT OF INTEREST POLICY

1. Purpose

The purpose of this Conflicts of Interest Policy is to:

- identify, by reference to the specific services and activities carried out by (or on behalf of) the Firm, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients; and
- specify procedures to be followed and measures to be adopted in order to manage such conflicts; and
- communicate this information to all those who are in the Firm

[Art 34 (2) MiFID II and SYSC 10]

It is the responsibility of all staff members to familiarise themselves with the contents of the Policy and report conflicts of interest to Compliance using the appropriate channels.

2. Regulatory Background

FCA Principle 8 (Conflicts of Interest) states that:

A firm must manage conflicts of interest fairly, both between itself and its clients and between one client and another.

3. Summary of Requirements

3.1. Identifying and Preventing Conflicts

We must take all appropriate steps to identify and prevent or manage conflicts of interest between:

- the Firm (including its managers, employees or any person directly or indirectly linked to them by control) and a client of the Firm; or
- one client of the Firm and another client;

that arise or may arise in the course of the Firm providing any services in the course of carrying on regulated activities, including those caused by the receipt of inducements from third parties or by our own remuneration and incentive structures.

3.2. Types of Conflict

The Firm must identify the types of conflict that arise in the course of providing a service, and where there may be a risk of damage to the interests of a client [Art 33 MiFID II Delegated Regulations]. As a minimum, we must consider whether the Firm or a relevant person or a person directly or indirectly linked by control to the Firm:

- is likely to make a financial gain or avoid a financial loss at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client;
- receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

3.3. Segregation of functions

The senior management of the Firm should, where appropriate segregate duties so as to avoid conflicts of interest.

3.4. Disclosure of conflicts to clients

If the arrangements made by the Firm are not sufficient to ensure, with reasonable confidence, that the risk of damage to the client will be prevented, we must provide the client with a clear disclosure of this fact [Art 23 (2) MiFID II and Art 34(4) Delegated Regulations]. This disclosure must:

- clearly state that the organisational and administrative requirements established by the Firm to prevent or manage that particular conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented;
- describe the general nature and source of the conflict of interest and the steps taken to mitigate those risks. This description must be provided before undertaking business for the client;
- provide sufficient detail to enable that particular client to make an informed decision in relation to the service in the context of which the conflict arises; and
- be provided to the client in a durable medium.

It is important to note that a disclosure should only be used as a matter of last resort after all other options to successfully mitigate the conflict of interest have been exhausted and are not sufficient to ensure that the risk of damage to the interests of the client will be prevented.

3.5. Responsibilities of Staff Members

It is the responsibility of all employees to familiarise themselves with this Policy. Staff must report any actual or potential conflicts of interest to their line manager who will in turn report them to Compliance. Failure to adhere to this policy may be held to be a breach of an employee's contract.

Overall responsibility for Conflicts of Interest lies with the Board. The Board will be responsible for ensuring that this Conflicts of Interest Policy is reviewed at least annually and if there is any material change to the activities of the Firm. Compliance is responsible for the day-to-day administration of the Policy.

Compliance will work with line management to identify and prevent Conflicts of Interest, record conflicts and the mitigating action taken in the Conflicts Register and report the situation to the Board for consideration. Additionally, Compliance will ensure that this conflict of interest policy is reviewed at least annually.

The Board, via Compliance, has responsibility for ensuring that staff are aware of the aspects of the Policy relevant to them.

4. Situations in which Conflicts of Interest could arise

In order to assist employees in identifying, reporting and eliminating conflicts of interest the Firm has set out below some typical situations in which conflicts of interest may arise and are managed in the course of the Firm's day-to-day business. They are set out in the Appendix to this Policy in the Compliance Manual.

4.1. Potential misuse of information

Potential conflict

Members of staff of the Firm may come into possession of material non-public information. The improper use of such information by staff members could cause a conflict with the interests of the Firm's clients, or between the interests of the Firm's clients, and may also be unlawful.

Method of managing/avoiding conflict

The Firm manages these risks by maintaining and following policies and procedures to prevent the misuse of material non-public information as set out in the Market Abuse section of the Compliance Manual and Procedure Manual. These policies and procedures have been designed to prevent and detect any insider trading, taking into account the nature of the Firm's business and the instruments typically traded. The Firm has also implemented procedures to manage the risks of Insider Dealing, including using Compliance as a "Gatekeeper" to clear any Inside Information based conflicts, the use of restricted/Insider Lists and deal monitoring.

4.2. Inappropriate flow of information

Potential conflict

A conflict of interest could occur where there is an inappropriate flow of information between relevant persons within separate areas of the business who should be acting independently and where the absence of this independence could be detrimental to the client.

Method of managing/avoiding conflict

The Firm has policies procedures in place to control the inappropriate flow of information which includes both physical separation of relevant areas of the business as well as restricted access to certain parts of the server.

4.3. Personal Account Dealing ("PAD")

Potential conflict

The Firm's staff may engage in the trading of securities or other instruments for their own account. Such trading activities may put those employees and officers, or the Firm, in conflict with the interests of the Firm's clients (for example, by having a personal interest in a transaction with a client, or by front-running transactions with clients).

Method of managing/avoiding conflict

The Firm manages this potential conflict of interest by maintaining a PAD Policy which has been formulated in accordance with relevant FCA Rules and MiFID II requirements. All staff must seek prior permission from Compliance to deal in securities for their own account. Each Director and employee is responsible for checking the Restricted List prior to dealing. In addition, Compliance will monitor all PADs against any Insider List.

4.4. Inducements

Potential conflict

The giving or receiving of gifts, entertainment, or any other form of gratuity or hospitality by or to the Firm's staff members may create the appearance of a lack of impartiality and may lead to a potential conflict between the interests of the donor/donee and the interests of the clients.

Method of managing/avoiding conflict

The Firm has in place procedures in relation to inducements as set out in the Compliance Manual and only certain types of inducements are permitted. All inducements must be reported to Compliance who will review them to ensure there is no conflict.

4.5. Remuneration Policy/Performance Fees

Potential conflict

A conflict may arise in respect of the Firm's fee-based income from its AUM. The Firm will ensure that all investment holding valuations are conducted on an "arms length" basis by a fund administrator of good repute and in accordance with the valuation policy applicable to the relevant fund.

Method of managing/avoiding conflict

Potential conflicts arising and arrangements for controlling/mitigating them are identified in the Conflicts of Interest Register.

Firm and employee interests are aligned with those of the Firm's clients, as the level of remuneration is not overly dependent on bonuses and although entirely discretionary bonuses are not informally based on performance figures that can be manipulated to be weighted towards easily achieved or selectively favourable metrics or away from unfavourable ones. The discretion is intended to produce a balanced outcome for the Firm and clients.

The Firm will ensure that there is no direct link between the remuneration of a person engaged in one activity and the remuneration of a different person engaged in another activity, where a conflict of interest may arise in relation to those activities.

4.6. Outside Business Interests

Potential conflict

The Firm's staff members may hold outside business interests, such as directorships or shareholdings, in service providers or other firms. The Firm has identified that such outside business interests or investments could cause a potential conflict between the personal interest of the relevant member of staff and the interests of the Firm's clients.

Method of managing/avoiding conflict

Staff members must inform Compliance about their outside business interests both when joining the Firm and on an ongoing basis. Compliance must approve any such interests and will maintain a record of them.

4.7. Group Conflicts

Potential conflict

Other members of the Charles Taylor plc group may have relationships, with clients or other parties, that could create a conflict of interest.

Method of managing/avoiding conflict

Group conflicts are assessed at a group level and the group will determine what mitigation needs to be put in place at the various entities that are impacted. This may include one entity not being able to continue a relationship with a client or third party.

4.8. Personal Interests in Funds

Potential Conflict

The potential conflict may be that a staff member receives an economic or other benefit compared to third party investors.

Method of managing/avoiding conflict

The Firm believes that staff members investing in securities held in clients' portfolios is likely to align their interest with that of clients, rather than create conflict and great care is taken to ensure that staff do not invest/disinvest ahead of or at the same time as clients or where research creates a conflict between staff and clients.

4.9. Staff on notice to leave

Potential Conflict

Conflicts of interest could arise if a member of staff on notice to leave the Firm concentrates on higher risk short term performance in order to achieve a larger leaving bonus.

Method of managing/avoiding conflict

The Board and CEO monitor the risk level of investments and, where necessary, give instructions to restore the risk balance. If an employee on notice is seen to pose a particular risk, then that individual will be put on 'gardening leave' to remove the possibility of inappropriate trading.

4.10. Cross Trading between funds

Potential Conflict

The potential conflict is that one fund is favoured over another fund and that employees are undertaking cross trading just to increase commissions from trading.

Method of managing/avoiding conflict

The CEO monitors all cross trades to ensure they are no conflicts of interest and they are in line with the investment objectives of each fund.

4.11. Disparity between performance fees for different funds

Potential Conflict

The potential conflict is in a situation where the Firm concentrates on a particular client or fund that is paying higher fees than another client or fund.

Method of managing/avoiding conflict

Fund fee arrangements are fully disclosed to all actual and potential investors. In addition, the Firm ensures that it is sufficiently resourced to be in a position to provide as many resources as necessary to discharge its management obligation for each client.

4.12. Public statements

Potential Conflict

Potential conflict and Market Abuse issues arise if the portfolio managers make public statements in order to “talk up or down” a particular security in which the portfolios managed by the Firm have a position.

Method of managing/avoiding conflict

The Firm and its staff do not currently make public statements about the Firm or its investments. The Firm also has procedures in place whereby employees are not allowed to talk to the press regarding the Firm and its investments unless prior approval from Compliance and the Board has been received.

4.13. Trade and Initial Public Offering allocations

Potential conflict

Conflicts may arise where the Firm only receives scaled back allocation for oversubscribed IPOs.

Method of managing/avoiding conflict

Allocation conflicts are managed in accordance with the Firm’s general allocation policy.

5. Arrangements for managing conflicts

5.1. Governance

The Firm has robust governance arrangements in relation to conflicts of interest and key business decisions are taken by the Board and are recorded. The Board has overall responsibility for ensuring all conflicts are appropriately identified and mitigated.

Compliance is responsible for the day-to-day management of conflicts of interest and reports directly to the CEO, Board and Group Compliance and Risk with management information in relation to conflicts.

5.2. Reporting Lines

The Firm has defined and clear reporting lines. An organisational chart is maintained by Compliance.

5.3. Segregation of Functions

Duties are segregated as appropriate, to avoid conflicts of interest wherever possible. These duties are set out in job descriptions, compliance and procedure manuals and organisational charts. Ensuring these duties remain segregated is the responsibility of line managers, as advised by Compliance.

5.4. Restricted List and Insider List

In order to facilitate the monitoring of conflicts, the Firm maintains a group Restricted List and an Insider List.

5.5. Recruitment

When individuals are recruited by the Firm, their fitness and propriety is considered by Compliance, as well as their technical and, where relevant, managerial ability. Suitable background checks are made and references are taken up.

5.6. Training

Compliance training regarding conflicts of interest forms part of the annual training needs analysis. Compliance ensures that appropriate training is prepared and delivered.

5.7. Compliance and Procedures Manuals

Systems and controls are documented in the compliance and procedures manuals which are reviewed at least once a year to ensure they are fit for purpose.

5.8. New clients/business

Conflicts checks are undertaken when taking on new clients or accepting new business from existing clients. In cases where a conflict or potential conflict is identified, a decision is made as to whether to proceed with the new client and, if so, what additional measures should be taken to mitigate the conflict. All such decisions are documented and are based on the nature of the conflict and the potential for the conflict to entail a risk of damage to the interest of one or more clients. Compliance keeps records of business approval and related correspondence.

5.9. Confidentiality

No portion of this Policy may be copied, reproduced, or shown to any individual who is not an employee of the Firm, a representative of a relevant legal or regulatory authority or a relevant professional advisor.

5.10. Compliance monitoring

Compliance will undertake an annual review to ensure that the Firm has complied with these policies. In addition, Compliance will review the conflicts register on a monthly basis.

5.11. Review of Policy

This Policy has been approved by the Board.