

Conflicts of Interest Policy

CAST
LEFI
ELD 

THE THOUGHTFUL INVESTOR

CONFLICTS OF INTEREST POLICY

Castlefield Investment Partners LLP (CIP)

CIP undertakes discretionary portfolio management for a range of clients, with a mixture of strategies. Our permissions enable us to advise on investments, arrange deals in investments, arrange safeguarding and administration of assets deal in investments as agent, make arrangements with a view to transactions in investments and manage investments. As a discretionary portfolio manager, Castlefield makes the decision to deal and subsequently either transmit or execute such orders on behalf of its clients. As an employee-owned business we can ensure that everything we do reflects not only the values we share as co-owners of our own business, but also the principles that are important to our clients too. At Castlefield, we have a focus on our clients' values and aspirations. Shared ownership and the fact that our employees and a grant-making charitable trust share in our business and profits, lie at the heart of our approach. Shared ownership encapsulates everything Castlefield is about – a complete dedication to working for the benefit of our clients. As such, the importance of acting in our client's interest is paramount and remains our priority when engaging with companies and voting.

Under FCA's Principle for Business, Principle 8 (Conflicts of interest) we are required to pay due regard to the interests of each client and to manage any conflicts of interest fairly, both between our firm and our clients and between a client and another client. The specific rules for dealing with conflicts of interest can be found under the Senior Management Systems and Controls (SYSC) rules which can be found at SYSC 10.

FCA Regulations require the firm to take all appropriate steps to identify, prevent or manage any such conflicts of interest that may exist within the firm (including its managers, employees, appointed representatives, or any person directly or indirectly linked to the firm by control), between the firm and our clients, and between one client and another.

To prevent the risk of damage to client's interests as a result of any such conflict, we have in place various organisational and administrative arrangements to deal with potential conflicts of the type, disclosed in our Terms of Business agreement with our clients, and further detailed below.

Purpose of the Conflicts of Interest Policy

- a) To identify any potential circumstance which may give rise to conflicts of interest, and which pose a material risk of damage to client's interests;

- b) To establish appropriate mechanisms and systems to manage those conflicts; and
- c) To maintain systems in an effort to prevent actual damage to client's interests through the identified conflicts;

The directors / partners fully support this initiative and are committed to ensure that all conflicts between our firm and our clients, and between clients, are managed fairly with no party disadvantaged.

At least on an annual basis, our senior management team will receive a written report providing details of the kinds of services or activities carried out by our firm in which a conflict of interest entailing a risk of damage to the interest of one or more client has arisen or, in the case of an ongoing service or activity, may arise.

In addition to complying with the FCA requirements we recognise that handling conflicts fairly is a fundamental element of good business practice and is required to assist in maintaining and developing our firm's business.

What is a Conflict of Interest?

Conflicts of Interest appear in situations where our firm:

- a) Carries on the same business as a client;
- b) Receives or will receive from a person other than a client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service;
- c) May hold positions and/or provide transactional related services for more than one client and such clients may have competing objectives in relation to a position or transaction;
- d) Exercises a right to vote in relation to a corporate action, the investment manager will apply judgement in considering the options available, which may reflect competing interests;
- e) May place money held on behalf of clients with a bank (in accordance with the relevant regulatory requirements) and earn and retain interest payments from such a bank;
- f) We or one or more of our partners or employees may have other business relationships with a company in relation to whose securities you are entering into a transaction e.g. as a client, director, employee, supplier, custodian or banker.

Conflicts of interest may therefore include but are not restricted to interests between:

- Our firm and our clients

- Our employees and our clients
- Two or more different clients
- Third parties and our clients
- New services / products and our clients
- Strategic changes and our clients

We have sought to identify conflicts of interest that exist in our business and have put in place measures we consider appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on our clients. The conflicts identified include:

a) Client Orders

In order to ensure as fair treatment as possible for clients, our order execution policy requires us to take all sufficient steps to achieve the best overall trading result for clients.

On some occasions client orders may have a material effect on the relevant securities price. In order to ensure our employees do not take advantage of the situation by dealing on their own account (Personal Account Dealing) or encourage a third party to deal, we operate a 'No front running' policy whereby client orders will always take priority. We regularly monitor business transactions in order to ensure we meet these requirements.

b) Personal Account Dealing

Our employees, co-owners, directors and agents may buy, sell or hold the same investments as our clients. We control personal account deals by ensuring that all such deals which fall under scope are identified and approved by the compliance team prior to execution. All employees, irrespective of their position in the firm sign on an annual basis to confirm their understanding of our procedures. Please refer to the Castlefield personal account dealing policy for further details.

c) Inducements to employees

Employees, co-owners, directors and agents of Castlefield are not allowed to accept gifts, entertainment or any other inducement other than minor non-monetary benefits from any person which might benefit one client at the expense of others when conducting investment business.

Similarly, our employees, co-owners, directors or agents of Castlefield are not allowed to place undue pressure on clients to persuade them to trade through the firm to the extent that this gives rise to a conflict of interest between that client and another client.

d) Segregation of Duties

We strive to ensure that the performance of multiple functions by relevant persons does not and is not likely to prevent those persons from discharging any functions soundly, honestly and professionally. Our policies concerning the segregation of duties within the firm and the prevention of conflicts of interest are laid out below.

We are aware that effective segregation of duties is an important element in the internal controls of a firm in the prudential context. In particular, it helps to ensure that no one individual is completely free to commit the firm's assets or incur liabilities on its behalf. Segregation also helps to ensure that the firm's senior management receives objective and accurate information on financial performance, the risks faced by the firm and the adequacy of its systems.

We ensure that, in general, no single individual has unrestricted authority to do all the following:

1. initiate a transaction;
2. bind the firm;
3. make payments; and
4. account for it.

The firm ensures that its relevant persons are aware of the procedures which must be followed for the proper discharge of their responsibilities.

e) Remuneration Policy

All relevant employees who are open to a conflict of interest are paid a basic salary including those who hold key support areas such as compliance, finance and operations. This salary is not dependent on business performance. Remuneration and bonus structures are designed so as not to create any incentive for a Partner or employee to act contrary to a client's interests. Remuneration, including any discretionary bonus payments, are overseen by the Managing Partner who is also one of the two Designated Members. Any discretionary bonus made to the Managing Partner must be agreed by the second Designated Member, Castlefield Partners

Limited (the Group holding company). An annual Remuneration Code disclosure is made.

f) Disclosure

There may be occasions where we are not, in our opinion, reasonable confident that the risks of damage to the interests of the client will be prevented. Therefore, as a last resort, where there is no other means of preventing or managing a conflict, we will disclose clearly, in writing, sufficient details, considering the nature of the client, to enable the client to make an informed decision with respect to the service in the context of which the conflict of interest arises.

This disclosure will also:

- Clearly state our firm's arrangements to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interest of the client will be prevented;
- Include specific description of the conflicts of interest that arise in the provision of providing our services; and
- Explain the risks to the client that arise as a result of the conflicts of interest.

g) Declining to Act

Where we consider we are not able to manage the conflict of interest in any other way we may decline to act for the client.

Managing & Disclosing Conflicts

The measures for dealing with conflicts are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence, appropriate to the size and activities of the firm and of any group to which it belongs and to the materiality of the risk of damage to the interests of clients.

Examples of procedures for managing conflicts include:

- Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients. Such an arrangement is referred to as a 'Chinese Wall' and can include hierarchical separation and physical barriers between the activities likely to involve conflicts of interest, thereby aiming to prevent any undue transmission of information;

- In line with FCA requirements we maintain a register detailing potential or actual conflicts that may/have occurred including how they have been managed. The list is reviewed regularly by the Stewardship and Conflicts committee and Compliance to ensure new conflicts are identified and managed effectively;
- We could pass orders to an affiliated company for execution. This will, however, be done in accordance with our order execution policy at the time;
- In carrying out our business, employees may learn confidential or proprietary information about its clients, their underlying clients, prospective clients and their underlying clients or other third parties. Employees are required to maintain the confidentiality of all such information entrusted to them, except where disclosure is otherwise authorised or legally mandated. Further, employees are not permitted to use such information for their personal gain;
- Our employees are required to disclose and in most cases, must obtain approval for any outside business interest or employment;
- We could theoretically also deal as Principal for our own investment account and we may match transactions with another client. Procedures are in place to protect the clients' interest in this instance;
- All investments are assessed to ensure that by including them in a portfolio they will help to meet the objectives of the portfolio. Where a discretionary client is invested in a Castlefield Fund, the annual management charge due from such investments will generally be taken into account for calculating the annual management fees that will be retained by CIP to avoid the possibility of double charging;
- We may combine orders with those received for the accounts of other clients (and exceptionally may combine with our own orders). Such aggregation may operate on some occasions to a client's advantage and on some occasions to their disadvantage. In any event where orders have been aggregated, they will be allocated to clients on the basis of a pre-existing formal and fair allocation policy;
- Where, despite the above procedures we identify a conflict of interest which may present risks of damage to the interests of a client, we will clearly disclose to the general nature and/or sources of the potential conflicts to the client before undertaking business with the client.

This disclosure will take place as follows:

- Our internal compliance department will be advised of the potential conflict of interest in writing;

- We will advise our client in writing, of the potential conflict of interest and ask them to provide their written consent to proceed;
- The client's written consent along with the request will be passed to our compliance department which can then provide approval to proceed as appropriate;
- Copies of both letters, together with the written authorisation to proceed will be retained on the client file.

Review of conflicts of Interest policy

This policy will be reviewed on an annual basis.

The effectiveness of the above controls is monitored on an on-going basis by the compliance department. CIP's conflicts committee considers all reportable personal account dealing and gifts received or given by CIP's partners or employees.

Records of actual and potential conflicts and the procedures in place to manage them are regularly reviewed by CIP's conflicts committee and kept on file.