

CG Asset Management

Conflicts of Interest Policy and Statement

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cgam

Conflicts of Interest Policy and Statement

Legislative background

Purpose

The purpose of this Conflicts of Interest Policy under Article 34(2) of the MIFID II Org Regulation and Articles 30 to 37 of the AIFMR 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 material risk of damage to the interests of one or more clients; and
- To specify procedures to be followed and measures to be adopted in order to manage such conflicts;

and to communicate this information to all those who are in the Firm.

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

Regulatory Background

AIFMR Articles 30 to 37, require the Firm to establish, implement and apply an effective Conflicts of Interest Policy.

Also, 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. These requirements have been amplified in the FCA sourcebook SYSC (Senior Management Arrangements, Systems and Controls).

The Firm's systems and controls must be designed to ensure that the relevant persons engaged in different business activities involving a risk of conflict of interest carry out these activities have a degree of independence which is appropriate to the size and activities of the AIFM and of the group to which it belongs, and to the materiality of the risk of damage to the interests of the AIF or its investors.

As required by Article 34, where the arrangements made by the AIFM are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the AIF or investors in the AIF are prevented the Board shall be promptly informed in order to take the necessary decision or action to ensure that the AIFM acts in the best interest of the AIF (or the investors of the AIF).

Summary of Requirements

a. Identifying Conflicts

Article 23 of MiFID II requires a firm to take all reasonable steps to identify 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.

b. Types of Conflict

Article 33 of the MiFID II Org Regulation and Article 30 of the AIFMR set out that, for the purpose of identifying the types of conflict that arise in the course of providing a service, and, where there may be a material risk of damage to the interests of a client, the Firm must take into account certain issues. It must consider as a minimum, 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, the AIF or its investors;
- Has an interest in the outcome of a service provided to the client, to the AIF or to its investors or of a transaction carried out on behalf of the client, the AIF or its investors which is distinct from the client's or the AIF's interest in that outcome;
- Has a financial or other incentive to favour the interest of:
 - another client, group of clients, a UCITS or another AIF over the interests of the client or the AIF; or
 - the interest of one investor over the interest of another investor or group of investors in the same AIF.
 - Carries on the same business as the client;
 - Carries on the same activities for the AIF and for another AIF or client;
 - Receives or will receive from a person other than the client or the AIF an inducement in relation to a service provided to the client or the AIF, in the form of monies, goods or services - other than the standard commission or fee for that service.

c. Segregation of Functions

Articles 57 to 60 of the AIFMR and SYSC 5.1.6R to 5.1.11G require the senior management of a firm to segregate duties so as to avoid conflicts of interest.

d. Disclosure of conflicts to clients

Article 23 (2) of MiFID II requires that, where 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 a clear disclosure to the client must be made. This disclosure must:

- Describe, in a durable medium, the general nature and source of the conflict of interest to the client before undertaking business for the client; and
- Explain the risks that arise as a result of the conflict of interests and the steps taken to mitigate these risks; and
- 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.

It is important to note that a disclosure may be made only as a matter of last resort after all other options to successfully mitigate the conflict of interest have been exhausted.

With regard to AIF management business, no investor in an AIF shall obtain preferential treatment, unless such preferential treatment is disclosed in the relevant AIF's rules or instruments of incorporation.

The Firm:

- Must clearly disclose, in a durable medium, the general nature and source of the conflict of interest to the investors before undertaking business on their behalf, and develop appropriate policies and procedures ; and
- Must provide sufficient detail to enable that particular investor to make an informed decision in relation to the service offered.

Where this information is provided by means of a website and is not addressed personally to the investor, the following conditions shall be satisfied:

- The investor will be notified of the address of the website and has consented to the provision of the information by such means
- The information will be kept up to date
- The information will be accessible continuously.

e. Monitoring Conflicts

As required by AIFMR Article 34, Conflicts of interest will be regularly discussed at the Board and conflicts of interest entailing a material risk of damage to the interests of one or more AIFs or its investors will be addressed. Appropriate Management Information will be presented. The Board will on a frequent basis, and at least annually, receive written reports on the activities described above.

f. Strategies for the exercise of voting rights

- An AIFM shall develop adequate and effective strategies for determining when and how any voting rights held in the AIF portfolios it manages are to be exercised, to the exclusive benefit of the AIF concerned and its investors.
- The strategy referred to above shall determine measures and procedures for:
 - Monitoring relevant corporate actions
 - Ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant AIF
 - Preventing or managing any conflicts of interest arising from the exercise of voting rights
- A summary of the strategies and details of the actions taken on the basis of those strategies will be made available to investors at their request.

g. Responsibilities of Staff Members

It is the responsibility of all employees to familiarise themselves with this Policy and to report conflicts of interest to their line manager who will in turn report them to the Compliance Officer. 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 Compliance Officer is responsible for the day-to-day administration of the Policy.

The Compliance Officer will work with line management to eliminate Conflicts of Interest, record conflicts and the mitigating action in the Conflicts Register and report the situation to the Board for consideration.

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

All staff have a responsibility for carrying out aspects of the policy that are relevant to them.

h. Arrangements for preventing or managing conflicts

The AIFM's procedures have been designed to ensure that the relevant persons engaged in different business activities involving a risk of conflict of interest carry out these activities with a degree of independence which is appropriate to the size and activities of the AIFM and the material risk of damage to the interests of the AIF or its investors.

Governance

- The Firm has robust governance arrangements. Key business decisions are taken by the Board and are recorded.
- The Compliance Officer reports directly to the Board.
- The Firm has rules in place to govern employee conduct, including PAD rules which control and mitigate conflicts of interest. It also maintains a Conflicts of Interest Register.

Reporting Lines

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

Segregation of Functions

AIFMR Article 57 to 60 and the rules in [SYSC 5.1](#) requiring the segregation of functions are met by segregating duties, as appropriate, to avoid conflicts of interest wherever possible. These duties are set out in job descriptions, procedure manuals and organisational charts. Ensuring these duties remain segregated is the responsibility of line managers, as advised by the Compliance Officer.

Disclosure of Personal Conflicts

Employees and owners are required to disclose conflicts of interest. Employees will disclose any conflicts of interest to their line manager, who in turn will inform the Compliance Officer. Owners will disclose any conflicts directly to the Compliance Officer. The Compliance Officer will record in the appropriate register and inform the Board of any action taken.

Restricted List and Insider List

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

Inducements

Staff members are prohibited from giving to and accepting from clients, potential clients or other third parties, gifts and entertainment of above the specified threshold. The AIFM also maintains a Bribery policy.

Recruitment

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

Training

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

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. The reviewer is appointed by the Board.

Periodic Audit

The Compliance Officer oversees and executes a suitable audit programme at least annually to verify that the systems and controls are being applied.

Management Information

Management information regarding the identification of conflicts is reviewed by the Compliance Officer. Conflicts checks are undertaken when taking on new clients or accepting new business from existing clients.

Verifying Compliance

To verify that these policies have been complied with, an annual compliance review will be undertaken by the Compliance Officer. The Compliance Officer will have responsibility for assessing compliance with the policy on an annual basis and will report formally to the Board.

Remuneration

The Firm's remuneration policy is designed to avoid rewarding behaviour that could lead to disadvantage for its clients. Please refer to the Firm's AIFMD Remuneration Policy for details.

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.

Approval

This Policy was last amended and approved on 30 April 2021.

CGAM's Conflicts of Interest Policy Statement

This document summarises the policy of CG Asset Management Limited ("CGAM") for managing conflicts of interest. It is not intended to provide a comprehensive account of the processes and procedures we adopt in connection with the management of conflicts of interest, but is instead intended to be a statement of principles through which CGAM seeks to manage such potential conflicts. It provides information designed to enable our clients to understand the key measures we take to safeguard their interests.

Conflicts of interest can arise where:

- the interests of CGAM conflict with those of a client (firm vs. client conflicts);
- the interests of one client of CGAM conflict with those of another of our clients (client vs. client conflicts).

In accordance with the Financial Conduct Authority ("FCA") Principles for Businesses, the requirements of the European Markets in Financial Instruments Directive ("MiFID"), and with our fiduciary obligations, CGAM has policies and arrangements in place to identify and manage conflicts of interest that may arise between us and our clients or between our different clients.

CGAM or any other party to whom it may have delegated certain functions, may in its absolute discretion effect transactions in which we have, directly or indirectly, a material interest. We may also at our discretion enter into a relationship of any description with another party which may involve a potential conflict with our duty to our clients. We will ensure that such transactions are effected on terms which are not materially less favourable to the client than if the potential conflict had not existed.

We have a policy of independence that requires CGAM staff to disregard any personal interest, relationship or arrangement which gives rise to a conflict of interest and to ensure that the interests of clients prevail.

CGAM places significant emphasis on its strong compliance culture, and the efficient operation of systems and controls, to manage issues such as conflicts of interest. Our compliance personnel conduct regular monitoring checks to confirm that internal policies and procedures are followed.

In the event that the reasonable steps CGAM has made to manage conflicts of interest are not sufficient and may potentially damage the interests of a client, we will consider whether disclosure is appropriate or whether, bearing in mind the risks involved, we should refrain from acting for the client. If we do not refrain from acting, we will inform that affected client of the nature of the conflict so that it may make an informed decision with respect to the service in the context of which the conflict of interest arises. CGAM will only consider the use of disclosure where the reasonable steps to manage a particular conflict have not been achieved.

CGAM's sole activity is the provision of investment management services to a small number of funds. CGAM does not offer the services of market making or underwriting, nor do we provide investment research to external third parties, and we have no soft commission arrangements in force. Furthermore, CGAM does not hold client money or assets. Investment strategy is determined by CGAM's Asset Allocation Committee which comprises the three fund managers and the strategy is then executed by them. We do not therefore have the potential conflicts of interest that arise from such services and activities.

Potential areas of conflict identified

Firm vs. client conflicts

Connected entity investment decisions

CGAM acts as investment manager to and may receive different rates of remuneration from multiple client accounts. Whilst we may make decisions to buy or sell securities or other investments for one account and not another account, which may affect relative performance and hence the value of our remuneration based thereon, we will at all times have regard to our obligations to each client, taking into account such clients' investment restrictions and other relevant factors.

Investment as principal

CGAM has from time to time taken, and may from time to time take a long-term or short-term position in a client fund, in some cases to provide initial capital and establish a solid platform for the future growth of such client fund.

- We have and may also in the future co-invest in an investment alongside a client or client fund, either directly or indirectly, or invest in any entity which forms part of, or acquires part or all of, a client fund's assets or client fund itself. CGAM's return on investment in a
- client fund will be determined by reference to the investment decisions we make for such client fund, and in the case of co-investment or other investment, by reference to the change in value of such investment. Principal transactions by CGAM are made subject to policy and limits specified from time to time by the Board of CGAM. Our policies require that all personal interests, relationships or arrangements must be disregarded to ensure that the best interests of all clients are served.

CGAM staff personal investments

Certain directors and employees of CGAM may hold or deal for their personal account in securities of a client or of any issuer in which securities or investments are held or dealt in on behalf of a client. All CGAM directors and employees are subject to the CGAM Personal Account Dealing Code which governs such circumstances.

CGAM staff directorship interests

Certain directors and employees of CGAM may act as a director of a client or of any issuer in which securities or investments are held or dealt in on behalf of a client.

Gifts and benefits

Gifts and entertainment may on occasions be offered to CGAM directors and employees by clients, suppliers or others who provide services to, or receive services from CGAM, and this is subject to our strict Gifts and Benefits Policy.

Client vs. client conflicts

Aggregation of transactions in investments

CGAM may aggregate purchase and sale transactions in investments (and associated transaction costs) for applicable clients (and as referred to above applicable investments as principal). The applicable clients may have different or similar investment strategies, objectives and restrictions, and they may be structured differently (such as redemption and subscription (or analogous) terms). Accordingly, aggregation may result in different outcomes for certain such clients, for instance in respect of the holding period for an investment, the size of a client's exposure to such investment, and the price at which an investment may be acquired or disposed.

Depending on the circumstances, aggregation may be advantageous or disadvantageous to the client. At all times dealing in securities on behalf of our clients will adhere to our Best Execution Policy.

Allocation of transactions in investments

Aggregated transactions as referred to above, including costs and expenses thereof, are allocated to ensure that our clients have broadly equal access to a similar quality and quantity of suitable investment transactions, taking into account the factors mentioned above, amongst others. Certain funds have clearly defined priorities as described in CGAM's Deal Allocation Policy. Our Best Execution Policy further requires all allocations to be effected at the same price, but in very limited instances this may not be achievable due to the mechanics of certain markets.

Transactions between clients

CGAM may make decisions for one client to buy or sell units, shares or other investments in other funds, investment companies or other entities to which CGAM is investment manager (for example for a fund of fund). In this scenario CGAM may potentially charge the higher of the two management fees only.

- CGAM may in certain circumstances effect a transaction between clients whereby one client buys an asset from another client for reasons that are beneficial to each client, on arms' length terms. For example, a transaction between clients may be appropriate when a client fund has an obligation to meet applicable investment restrictions or investor redemption requirements, and where CGAM determines that the investment continues to represent a valid opportunity to generate added value for one or more other clients to acquire the investment.

Issue of regular portfolio information

CGAM may from time to time provide investors holding security interests in client funds with regular portfolio or other information, comprising detail that is not routinely available to other investors in the same client fund. To the extent permitted by applicable laws and regulations, we have a policy of providing portfolio information on request to any investor in client funds.

Rebate arrangements

CGAM may enter into rebate arrangements with some investors which means that certain investors in a client fund pay a lower or nil effective management fee. Any such rebate is paid by CGAM, so that at the fund level all investors pay the same fee rates.

Confidential information

Unpublished price-sensitive information

During the course of CGAM's business activities in connection with the making, monitoring and realisation of investments held or dealt in on behalf of certain clients, there may be occasions when directors and employees of CGAM become aware of unpublished price sensitive information concerning listed securities. In the United Kingdom, the release of or acting upon unpublished price-sensitive information (insider dealing) is a criminal and civil offence and is strictly prohibited by law and by CGAM's insider dealing policies.

Commercially sensitive information

Similarly, CGAM's business activities may cause directors and employees of CGAM to become aware of information that could affect the commercial interests of certain third parties involved in a transaction. Accordingly, where CGAM receives such confidential information under the terms of a confidentiality agreement, it has a duty to keep that information confidential.

Record Keeping

CGAM will maintain records of actual and potential conflicts and the procedures in place to manage them in accordance with its regulatory obligations.

Notice

In providing a set of principles through which CGAM intends to manage any potential conflicts of interest, we intend that this document should be for guidance only. Accordingly, this document is being provided (to the extent permitted by law) without liability, and in publishing this document CGAM makes no representation or warranty as to how it may act in connection with any particular situation or set of circumstances that may arise in relation to a conflict. This document is not intended to create third party rights or duties that would not already exist if the policy had not been made available, nor is it intended to form part of any contract between CGAM and any client.