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# CONFLICTS OF INTEREST POLICY

August 2020

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## 1. INTRODUCTION

The Firm conducts its business in accordance with FCA Principle 8 which requires the Firm to manage conflicts of interest fairly, both between the Firm and its clients as well as between one client and another client.

SYSC 10.1 requires the Firm to take all appropriate steps to identify and to prevent or manage conflicts of interest that arise in the course of the Firm providing its services, between:

- the Firm including its managers, secondees, employees and appointed representatives or any person directly or indirectly linked to them by control (collectively “**Staff**”), and a client of the Firm; or
- one client of the Firm and another client;

including those caused by the receipt of inducements from third parties or by the Firm’s own remuneration and other incentive structures.

In addition, where the Firm acts as the Alternative Investment Fund Manager (“**AIFM**”) to an Alternative Investment Fund (“**AIF**”), this obligation is extended to managing conflicts in such a manner to prevent them from adversely affecting the interests of the AIF or its investors and to ensure that the AIFs managed by the Firm are fairly treated.

For AIFs in respect of which the Firm acts as AIFM, the Firm is required to identify conflicts of interest between:

- the Firm, including its Staff, and the AIF or its investors;
- the AIF or its investors and another AIF or its investors;
- the AIF or its investors and another client of the Firm; and
- The AIF or its investors and a UCITS managed by the Firm or its investors.

Please note that the Firm is a regulatory host to Managers who are seconded to the Firm (they are not deemed to be employees of the Firm). In addition, the Management Company of a Manager might be an Appointed Representative of the Firm, for example in order to conduct marketing/promotional activity. The Firm’s policy is to take all appropriate steps to maintain and operate effective organisational and administrative arrangements to identify and to prevent or manage potential and actual conflicts of interest in the Firm’s business.

This document constitutes the Firm’s Conflicts of Interest Policy (the “**Policy**”). The Policy applies to all Staff of the Firm. It aims to identify the circumstances which constitute or may give rise to a conflict of interest and specifies procedures to be followed and measures to be adopted in order to manage such conflicts.

The Firm maintains a Conflicts Register (see Appendix A) which contains a summary of the Firm’s conflicts and the procedures in place to manage them. The Conflicts Register is regularly updated, and particularly whenever a new conflict is identified or the method for managing a conflict is altered.

## 2. IDENTIFYING TYPES OF CONFLICTS OF INTEREST

For the purposes of identifying the types of conflict and potential conflicts that arise which may damage the interests of a client, the Firm must take into account whether the Firm or a member of Staff:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of the client, the AIF or an AIF investor;
- Has an interest in the outcome of a service provided to the client, the AIF or an AIF investor or of a transaction carried out on behalf of the client or AIF, which is distinct from the client’s or AIF’s interest in that outcome;
- Has a financial or other incentive to favour the interest of one client or group of clients or another AIF over the interests of the client or of the AIF or to favour 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 or carries out the same activities for the AIF as for another AIF or client; or

- Receives or will receive from a person other than the client or AIF or its investors 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.

### 3. PROVISION OF INFORMATION TO CLIENTS

Prior to undertaking business for a Client, the Firm provides the Client with a summary of this Conflicts of Interest Policy, a copy of which is provided at Appendix D. The Firm makes available either a copy of the summary or the full version on the Firm's website.

### 4. MANAGING CONFLICTS

#### 4.1 GOVERNANCE

The Firm has robust governance arrangements and senior management oversight of the business. Key business decisions are taken by the Governing Body which understands the Firm's obligations to manage and mitigate conflicts of interest. The Firm's senior management are responsible for ensuring that the Firm's systems and controls and procedures are robust and adequate to identify and manage any conflicts of interest that may arise.

Senior management regularly discuss and review the processes in place for prevention and management of identified conflicts. In addition, when a manager is onboarded this is taken into account and potential conflicts discussed and documented, as necessary.

It is the on-going responsibility of all Staff to identify potential and actual conflicts of interest as they arise in the Firm's business and to notify the Compliance Officer immediately. The Compliance Officer is responsible for implementing appropriate procedures to manage and monitor those conflicts and reports directly to the Governing Body on a regular basis. Management information relevant to identifying conflicts is reviewed by the Compliance Officer (including risk reports, monitoring of account and position statements produced by the Firm's third-party administrators for client assets and other risk scenarios).

#### 4.2 MANAGEMENT REPORTING

The Governing Body of the Firm receives, at least annually, written reports on all identified conflicts. The Compliance Officer is responsible for ensuring that the Governing Body receives such reports.

#### 4.3 SEGREGATION OF FUNCTIONS AND INDEPENDENCE

The Firm has a clear organisational structure with well-defined, transparent and consistent lines of responsibility.

The Firm has structured its senior management to appropriately segregate duties so as to avoid conflicts of interest wherever possible.

The Firm also engages external compliance consultants to advise on the Firm's compliance programme, to undertake independent review of the Firm's satisfaction of its regulatory obligations, including its management of conflicts of interest and its on-going monitoring requirements.

#### 4.4 INFORMATION BARRIERS

The Firm has effective procedures to prevent or control the exchange of information between Staff 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.

#### 4.5 REMUNERATION

The Firm has a documented Remuneration Policy detailing the Firm's approach to remuneration and compensation arrangements.

The Firm's interests and the Staff's interests are aligned with those of the Firm's clients. Pay and bonuses are linked to numerous factors and the Remuneration Policy ensures that incentives are consistent with the provision of fairness and do not create conflicts.

#### 4.6 PERSONAL CONFLICTS OF STAFF

All Staff are required to disclose in writing any conflicts of interest upon joining the Firm and on a periodic basis. Staff shall disclose any potential or actual conflicts of interest directly to the Compliance Officer.

#### 4.7 DISCLOSURE TO CLIENTS

If the Firm's arrangements to manage a potential conflict of interest are not sufficient to ensure with reasonable confidence that the risk of damage to the interests of a client or AIF investor will be prevented, the Firm will clearly disclose the following to the client or AIF investor before undertaking business for the client:

- the general nature or source of conflicts of interest, or both; and
- the steps taken to mitigate those risks.

The Firm treats disclosure of conflicts as a measure of last resort to be used only where the effective organisational and administrative arrangements established by the Firm to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of clients or AIF investors will be prevented.

Disclosures are made as follows:

- in a durable medium;
- clearly stating that the organisation and administrative arrangements established by the Firm 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;
- including a specific description of the conflicts of interest that arise in the provision of investment services or ancillary services;
- explaining the risks to the client that arise as a result of the conflicts of interest; and
- with inclusion of sufficient detail taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest has arisen.

The Firm may use a prescribed format for making disclosures, a template for which is provided in Appendix E.

#### 4.8 DECLINING TO ACT

The Firm may decline to act for a client in cases where the Governing Body believes the conflict of interest cannot be managed in any other way.

#### 4.9 POLICIES & PROCEDURES

In addition to this Policy, the Firm has comprehensive policies and procedures which are designed to establish consistent controls to manage and mitigate conflicts. These policies cover areas such as Insider Dealing and Market Abuse, Outside Business Activities, Gifts, Inducements and Business Entertainment, Research, Product Governance, Fraudulent Practices and Money Laundering and Whistleblowing.

### 5. RISK MANAGEMENT FUNCTION: SAFEGUARDS AGAINST CONFLICTS OF INTEREST

The Firm has established a permanent risk management function in accordance with its regulatory obligations. The Firm is required to ensure that certain mandatory safeguards against conflicts of interest relating specifically to the risk management function are in place. These mandatory safeguards are set out in the Checklist at Appendix B of this Policy. The Firm periodically reviews its procedures to ensure that the mandatory safeguards against conflicts of interest, together with any additional safeguards that the Firm identifies as being required, are properly implemented.

## **6. STAFF TRAINING**

Upon joining the Firm, Staff receive guidance and training in respect of this Policy to ensure they are aware of the importance of the Policy and the need to report any potential or actual conflict of interest immediately to the Compliance Officer.

## **7. UPDATING AND REVIEW OF THIS POLICY AND CONFLICTS REGISTER**

This Policy and the Firm's Conflicts Register will be updated at least annually and whenever new services or products are provided by the Firm, new conflicts are identified either by Staff or as part of the Firm's compliance monitoring programme, or new procedures to manage conflicts are put in place.

APPENDIX A  
CONFLICTS REGISTER

Potential & Actual Conflicts	Mitigating Controls / Applicability	Managed, Prevented, or Disclosed?
<p><b>Valuation</b> – Where the Firm may exercise a significant amount of influence over valuations of hard to value securities in its favour, which may increase fees and/or assets under management.</p> <p>The ability of the Firm to influence the reported valuation of a fund that it manages could be to the detriment of investors entering or exiting the fund.</p>	<ul style="list-style-type: none"> <li>• The Firm has a Valuation Policy in place which documents the procedures and controls in place to ensure the fair valuation of assets and the avoidance of any conflicts throughout the valuation process</li> <li>• An independent administrator is engaged on behalf of the Fund(s)</li> <li>• Certain mandates trade in liquid securities with readily available market pricing, therefore the risk of incorrect valuation is minimal</li> <li>• With respect to AIFs that the Firm manages, the valuation function is either performed by an external valuer who is independent of the Firm and the Fund, or internally but with appropriate safeguards put in place in accordance with the Valuation Policy</li> </ul>	Managed
<p><b>Fair Aggregation and Allocation of Orders</b> – A potential conflict exists if the Firm gives priority in trade allocation to one client over other clients.</p>	<ul style="list-style-type: none"> <li>• The Firm has procedures and controls documented in its Aggregation and Allocation Policy to ensure each client receives fair aggregation and allocation. A copy of this policy is made available to clients. Such controls and procedures are designed to avoid any conflict of interest arising throughout the aggregation and allocation process.</li> <li>• The Firm does not have a 'central dealing desk' and each Manager conducts trading activity separately of each other. Each Manager has either a single mandate or a small number of mandates.</li> <li>• The firm has implemented an aggregation of trades policy</li> <li>• The firm implements consistent fee structures</li> </ul>	Managed
<p><b>Proprietary Trading</b> – Where the Firm trades on its own account potentially to the detriment of a client.</p>	<ul style="list-style-type: none"> <li>• The Firm does not undertake proprietary trading</li> </ul>	Prevented

Potential & Actual Conflicts	Mitigating Controls / Applicability	Managed, Prevented, or Disclosed?
<p><b><u>Different strategies and mandates</u></b> – Where different objectives and mandates might lead to a conflict between the Firm and its clients.</p> <p>For example, a potential conflict arises when portfolio managers are simultaneously long and short in the same security in different portfolios due to different strategies, objectives or time horizons.</p>	<ul style="list-style-type: none"> <li>The Firm’s portfolio management teams do not manage conflicting strategies</li> </ul>	Managed
<p><b><u>Trade Execution</u></b> – Conflicts may arise with the Firm’s duty of best execution when the Firm executes with brokers who do not provide the best result or execution quality.</p>	<ul style="list-style-type: none"> <li>The Firm has procedures and controls documented in its Order Execution Policy which sets out how the Firm ensures best execution is achieved for each trade. Such procedures are designed to ensure that no conflict arises in any part of the decision-making process relating to order execution e.g. which venue or broker to execute through.</li> <li>The Firm does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would cause a conflict with the best interests of its clients</li> <li>The Firm undertakes ongoing monitoring of execution.</li> </ul>	Managed
<p><b><u>Use of Research</u></b> – conflicts may arise where the Firm also receives research from brokers. Conflicts may also arise in the allocating of research spend between clients or where a mixed funding approach is used.</p>	<ul style="list-style-type: none"> <li>Follow MiFID II guidance separating research from execution and managing a research payment account.,</li> </ul>	Managed
<p><b><u>Independent Performance of Risk Management Function</u></b> – the risk management function should operate independently from other business functions, in particular, portfolio management.</p>	<ul style="list-style-type: none"> <li>The Firm is small in nature and therefore has applied the principle of proportionality with respect to the risk management function. The Risk Officer function is performed by the COO. An appropriate portion of total remuneration is determined based solely on performance of his risk management duties. Although the Risk Officer has other responsibilities in addition to those of the risk function, the Risk Officer is mindful of the obligation for the risk function to be performed separately, and this segregation is reviewed on a regular basis e.g. as part of the compliance</li> </ul>	Managed

Potential & Actual Conflicts	Mitigating Controls / Applicability	Managed, Prevented, or Disclosed?
	monitoring programme. Furthermore, the arrangement is monitored by Senior Management.	
<b>Delegation</b> – Where the Firm delegates key functions to third parties that have other clients and/or competing obligations.	<ul style="list-style-type: none"> <li>• The Firm enters into written agreements with third parties which document the responsibilities of both parties in order to avoid any conflicts arising</li> <li>• Where applicable, third parties are required to disclose conflicts to the Firm</li> </ul>	Managed
<b>Liquidity Profile</b> – Where the level of redemption requests are not aligned with the liquidity profile of the fund due to investment in illiquid assets – investors who have not redeemed may be disadvantaged if the Firm uses liquid assets to satisfy a redemption request of another investor.	<ul style="list-style-type: none"> <li>• The Firm has procedures and controls in its documented Liquidity Management Policy which are designed to avoid any conflicts arising in relation to the Firm's liquidity profile</li> <li>• Alignment of liquidity profile, liquidity limits and stated investment objective/strategy</li> <li>• Liquidity stress testing</li> </ul>	Managed
<b>Side Letters</b> – Where one client receives information that could place other clients who do not receive the information at a material disadvantage or where one client is given preferential terms over another client.	<ul style="list-style-type: none"> <li>• The Firm does not have any side letters in place</li> </ul>	Prevented
<b>Remuneration</b> – Where portfolio manager remuneration is performance based, there may be an incentive to manage funds in a more speculative and risky manner. Care needs to be exercised to ensure that managers do not seek to improve performance by taking on overly risky positions in the hope of reaching any performance target.	<ul style="list-style-type: none"> <li>• The trading strategy focuses on the long term and complies with the investment mandate set out in the offering memorandum and/or investment management agreement.</li> <li>• Compliance with the investment restrictions is monitored on a regular basis.</li> <li>• The Firm has a documented Remuneration Policy which applies to all staff and promotes effective risk management and does not encourage risk taking which is inconsistent with the risk profile of the Firm's investment mandates.</li> <li>• The Firm does not remunerate or assess the performance of staff in a way that conflicts with the Firm's duty to act in the best interest of clients.</li> </ul>	Managed

Potential & Actual Conflicts	Mitigating Controls / Applicability	Managed, Prevented, or Disclosed?
<p><b>Dealing Errors</b> – Where the Firm benefits from a trade error to the detriment of the client.</p>	<ul style="list-style-type: none"> <li>All dealing errors are resolved fairly and in the best interest of the client.</li> <li>The Firm has a Dealing Errors Policy in place which documents the procedures to be followed should a dealing error occur and ensures any conflicts are avoided, particularly in relation to the fair treatment of clients.</li> <li>All dealing errors are documented on the dealing errors log subsequently investigated and procedures adapted to ensure the same error cannot recur.</li> </ul>	Managed
<p><b>Cross Trading</b> – Where crossing is not in the best interests of both clients.</p>	<p>Any cross transactions will be in the best interests of all clients. Trades should be executed at market price agreed by both clients.</p>	Managed
<p><b>Proxy Voting</b> – Where the Firm is not voting proxies in the best interests of its clients.</p>	<ul style="list-style-type: none"> <li>The Firm does not partake in proxy voting. <a href="#">Voting lies with the Fund board as the shares will be in the Funds name.</a></li> </ul>	<a href="#">Managed</a>
<p><b>Personal Account Dealing</b> – Where staff undertake personal securities transactions while potentially in receipt of material non-public information or front run client accounts.</p>	<ul style="list-style-type: none"> <li>The Firm has procedures and controls documented in its Personal Account Dealing Policy which are designed to prevent any conflicts of interest arising from staff's personal account dealing</li> <li>Pre-approval of trade requests is required for personal account dealing</li> <li>The Firm restricts trading in any instruments which may be traded on behalf of clients</li> <li>The Firm requires that all personal account dealing is notified to the Compliance Officer</li> <li>Strict prohibition and documented procedures and controls on use of inside information</li> <li>The Firm undertakes on-going trade monitoring including a comparison of personal account trades with firm trades (to detect and prevent front running)</li> </ul>	Managed
<p><b>Gifts, Inducements and Entertainment</b> – Where any gift, inducement or other entertainment is given to or received from</p>	<ul style="list-style-type: none"> <li>The Firm has documented procedures and controls in its Gift, Inducement &amp; Entertainment Policy and Register which are designed to avoid all conflicts of</li> </ul>	Disclosed

Potential & Actual Conflicts	Mitigating Controls / Applicability	Managed, Prevented, or Disclosed?
brokers/service providers to influence the business relationship between the Firm and its service providers.	<p>interests arising from the giving and receiving of any inducements, including gifts and entertainment</p> <ul style="list-style-type: none"> <li>• The Firm has documented procedures and controls in its Bribery Policy which are designed to ensure that the Firm is not conflicted in its dealings with external parties</li> <li>• Staff expenses are monitored and reviewed against the Gift, Inducement and Entertainment Register</li> <li>• A list of inducements which have been reviewed by the Compliance Officer are included in Appendix C.</li> </ul>	
<b><u>Outside Business Activities &amp; Directorships</u></b> – Where staff undertake outside business activities which may conflict with the interests of the accounts and funds managed by the Firm.	<ul style="list-style-type: none"> <li>• Staff are required to disclose and obtain pre-approval of all outside business activities</li> </ul>	Managed
<b><u>Different Fee Structures</u></b> – Conflicts may arise from differing funds and clients with differing fee structures. Due to the different fees, there is a potential conflict as portfolio managers might favour those clients that generate higher fees.	<ul style="list-style-type: none"> <li>• The Firm has processes and controls in place for dealing with clients with different funds and fee structures. Such controls are documented in the Firm's Aggregation and Allocation Policy.</li> </ul>	Managed
<b><u>Cross Fund Investing</u></b> – Where the Firm invests assets in one fund or segregated account that it manages into another fund that it manages (for example to give limited exposure to a different strategy) there may be a conflict of interest if management fees are charged on the cross fund investment holding	<ul style="list-style-type: none"> <li>• The Firm does not undertake cross fund investing</li> </ul>	Prevented

Potential & Actual Conflicts	Mitigating Controls / Applicability	Managed, Prevented, or Disclosed?
<p><b>Product Governance</b> – the way in which the Firm manufactures financial instruments may be in conflict with exposures held by clients.</p>	<ul style="list-style-type: none"> <li>• The Firm has documented its product governance arrangements in its Product Governance Policy. This Policy includes arrangements to ensure that conflicts of interest are properly managed, governance processes to ensure effective control over the manufacturing process, the assessment of products’ potential target market, the assessment of the risks of poor investor outcomes posed, due consideration of products’ charging structure, the provision of adequate information to distributors and the regular review of products.</li> <li>•</li> </ul>	<p>Managed</p>

APPENDIX B

RISK MANAGEMENT FUNCTION: SAFEGUARDS AGAINST CONFLICTS OF INTEREST: MINIMUM REGULATORY REQUIREMENTS CHECKLIST

Safeguard	Firm's Response	Compliant (Y / N / N/A)
Decisions taken by the risk management function are based on reliable data, which are subject to an appropriate degree of control by the risk management function.	The risk management function has independent control over the risk management related systems. Data is sourced from external service providers and other departments of the Firm and analysed by the risk management team for consistency, reliability and accuracy. Data provided by the	Y
The remuneration of those engaged in the performance of the risk management function reflects the achievement of the objectives linked to the risk management function, independently of the performance of the business areas in which they are engaged.	The remuneration is determined by the Remuneration Committee. The CRO recuses himself with respect to their own remuneration vis-à-vis risk management duties.	Y
The risk management function is subject to an appropriate independent review to ensure that decisions are being arrived at independently.	The risk management function is subject to a comprehensive annual review by senior management.	Y
The risk management function is represented at the senior management level, at least with the same authority as the portfolio management function.	The risk management function is represented at the senior management level by the Chief Operating Officer.  None of the seconded portfolio managers form part of the senior management function; the Firm does not have a 'Chief Investment Officer' as such.	Y

Safeguard	Firm's Response	Compliant (Y / N / N/A)
Any conflicting duties are properly segregated.	<p>Personnel engaged with the risk management function may perform other operational related functions. However, personnel do not have risk related duties in respect of the operational functions they perform.</p> <p>Furthermore, personnel engaged with the risk management function never act in an investment (portfolio management or investment advisory) capacity.</p>	Y

APPENDIX C  
EXAMPLE: INDUCEMENTS REGISTER

Inducement	Provider	Categorisation / Rationale

## APPENDIX D

### SUMMARY OF CONFLICTS OF INTEREST POLICY

Capricorn Fund Managers Limited (the “Firm”)

#### D.1 INTRODUCTION

The Firm conducts its business in accordance with FCA Principle 8 which requires the Firm to manage conflicts of interest fairly, both between the Firm and its clients as well as between one client and another client.

SYSC 10.1 requires the Firm to take all appropriate steps to identify and to prevent or manage conflicts of interest that arise in the course of the Firm providing its services, between:

- the Firm including its managers, secondees, employees and appointed representatives or any person directly or indirectly linked to them by control (collectively “**Staff**”), and a client of the Firm; or
- one client of the Firm and another client.

including those caused by the receipt of inducements from third parties or by the firm’s own remuneration and other incentive structures.

In addition, where the Firm acts as the Alternative Investment Fund Manager (“**AIFM**”) to an Alternative Investment Fund (“**AIF**”), this obligation is extended to managing conflicts in such a manner to prevent them from adversely affecting the interests of the AIF or its investors and to ensure that the AIFs managed by the Firm are fairly treated.

For AIFs in respect of which the Firm acts as AIFM, the Firm is required to identify conflicts of interest between:

- the Firm, including its Staff, and the AIF or its investors;
- the AIF or its investors and another AIF or its investors;
- the AIF or its investors and another client of the Firm; and
- The AIF or its investors and a UCITS managed by the Firm or its investors.

The Firm’s policy is to take all appropriate steps to maintain and operate effective organisational and administrative arrangements to identify, and to prevent or manage potential and actual conflicts of interest in the Firm’s business.

#### D.2 CONFLICTS REGISTER

The Firm maintains a Conflicts Register which contains a summary of the Firm’s conflicts and the procedures in place to manage them. The Conflicts Register is regularly updated, and particularly whenever a new conflict is identified or the method for managing a conflict is altered.

#### D.3 IDENTIFYING TYPES OF CONFLICTS OF INTEREST

For the purposes of identifying the types of conflict and potential conflicts that arise which may damage the interests of a client, the Firm must take into account whether the Firm or a member of Staff:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of the client, the AIF or an AIF investor;
- Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, the AIF or an AIF investor which is distinct from the client’s interest in that outcome;
- Has a financial or other incentive to favour the interest of one client or group of clients or another AIF over the interests of the client or of the AIF or to favour 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 or carries out the same activities for the AIF as for another AIF or client; or

- Receives or will receive from a person other than the client or AIF or its investors 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.

## D.4 MANAGING CONFLICTS

### D.4.1 GOVERNANCE

The Firm has robust governance arrangements and senior management oversight of the business. Key business decisions are taken by the Governing Body which understands the Firm's obligations to manage and mitigate conflicts of interest. The Firm's senior management are responsible for ensuring that the Firm's systems and controls and procedures are robust and adequate to identify and manage any conflicts of interest that may arise.

Discussion of conflicts within the business is discussed by senior management regularly who review the processes in place for prevention and management of identified conflicts.

It is the on-going responsibility of all Staff to identify potential and actual conflicts of interest as they arise in the Firm's business and to notify the Compliance Officer immediately. The Compliance Officer is responsible for implementing appropriate procedures to manage and monitor those conflicts and reports directly to the Governing Body on a regular basis. Management information relevant to identifying conflicts is reviewed by the Compliance Officer (including risk reports, monitoring of account and position statements produced by the Firm's third-party administrators for client assets and other risk scenarios).

### D.4.2 MANAGEMENT REPORTING

The Governing Body of the Firm receives, at least annually, written reports on all identified conflicts. The Compliance Officer is responsible for ensuring that the Governing Body receives such reports.

### D.4.3 SEGREGATION OF FUNCTIONS AND INDEPENDENCE

The Firm has a clear organisational structure with well-defined, transparent and consistent lines of responsibility.

The Firm has structured its senior management to appropriately segregate duties so as to avoid conflicts of interest wherever possible.

The Firm also engages external compliance consultants to advise on the Firm's compliance programme, to undertake independent review of the Firm's satisfaction of its regulatory obligations, including its management of conflicts of interest and its on-going monitoring requirements.

### D.4.4 INFORMATION BARRIERS

The Firm has effective procedures to prevent or control the exchange of information between Staff 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.

### D.4.5 DISCLOSURE TO CLIENTS

If the Firm's arrangements to manage a potential conflict of interest are not sufficient to ensure with reasonable confidence that the risk of damage to the interests of a client will be prevented, the Firm will clearly disclose the following to the client before undertaking business for the client:

- the general nature or sources of conflicts of interest, or both; and
- the steps taken to mitigate those risks.

The Firm treats disclosure of conflicts as a measure of last resort to be used only where the effective organisational and administrative arrangements established by the Firm to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of clients will be prevented.

Disclosures are made as follows:

- in a durable medium;

- clearly stating that the organisational and administrative arrangements established by the Firm 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;
- including a specific description of the conflicts of interest that arise in the provision of investment services or ancillary services;
- explaining the risks to the client that arise as a result of the conflicts of interest; and
- with inclusion of sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest has arisen.

#### **D.4.6 DECLINING TO ACT**

The Firm may decline to act for a client in cases where the Governing Body believes the conflict of interest cannot be managed in any other way.

#### **D.4.7 POLICIES & PROCEDURES**

In addition to this Policy, the Firm has comprehensive policies and procedures which are designed to establish consistent controls to manage and mitigate conflicts. These policies cover areas such as Insider Dealing and Market Abuse, Outside Business Activities, Gifts, Inducements and Business Entertainment, Research, Product Governance, Fraudulent Practices and Money Laundering and Whistleblowing.

### **D.5 STAFF TRAINING**

Upon joining the Firm, Staff receive guidance and training in respect of this Policy to ensure they are aware of the importance of the Policy and the need to report any potential or actual conflict of interest immediately to the Compliance Officer.

## APPENDIX E

### EXAMPLE: CONFLICTS DISCLOSURE TEMPLATE

Capricorn Fund Managers Limited (the “Firm”)

#### Disclosure of Conflicts of Interest - Insert Date

In accordance with the requirements set out in the SYSC chapter of the FCA Handbook, the Firm has a comprehensive Conflicts of Interest Policy in place which includes the identification of conflicts and taking all appropriate steps to identify and to prevent or manage those conflicts. All conflicts identified are reviewed by senior management. The Firm has a documented Conflicts Register which explains the nature of each conflict and how it is prevent or managed. In the event that the Firm is unable to adequately prevent or manage a conflict, the Firm must disclose details of that conflict to affected clients (as required by SYSC 10.1.8).

Conflicts of interest arise in the course of the Firm providing its services, between:

- the Firm including its managers, secondees, employees and appointed representatives or any person directly or indirectly linked to them by control (collectively “**Staff**”), and a client of the Firm; or
- one client of the Firm and another client;

including those caused by the receipt of inducements from third parties or by the Firm’s own remuneration and other incentive structures.

In addition, where the Firm acts as the Alternative Investment Fund Manager (“**AIFM**”) to an Alternative Investment Fund (“**AIF**”), this obligation is extended to managing conflicts in such a manner to prevent them from adversely affecting the interests of the AIF or its investors and to ensure that the AIFs managed by the Firm are fairly treated.

For AIFs in respect of which the Firm acts as AIFM, the Firm is required to identify conflicts of interest between:

- the Firm, including its Staff, and the AIF or its investors;
- the AIF or its investors and another AIF or its investors;
- the AIF or its investors and another client of the Firm; and
- The AIF or its investors and a UCITS managed by the Firm or its investors.

The following conflict(s) **[has/have]** been identified by the Firm as having not been prevented or adequately managed and therefore the Firm is disclosing further information to you.

*[Insert a description of the conflict of interest that arises in the provision of investment services or ancillary services.]*

The organisational and administrative arrangements established by the Firm to prevent or manage the conflict(s) detailed above are not sufficient to ensure, with reasonable confidence, that the risks of damage to your interests will be prevented.

*[Insert a description of the risks to the client that arise as a result of the conflicts of interest, including sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest has arisen.]*

Please contact the Compliance Officer at the Firm if you have queries in relation to this disclosure. **[insert contact details]**.