

CONFLICT OF INTEREST POLICY

SUMMARY: This document represents Seilern Investment Management Ltd's (Non-Investment) Conflict of Interest Policy

OWNERS: The Compliance Department
The Board of Directors

Effective date: 30th January 2015

Status: Live

Approved by: SIM Board on 30th January 2015

MODIFICATION HISTORY

VERSION	DATE APPROVED	REVIEWED BY	CHANGES
v.2015.01	30 th January 2015	Compliance	New Policy, which replaces version dated 14.02.13
V. 2016	29 th January 2016	Compl. & BoD	Annual review of compliance policies
v. 2017	13 th March 2017	CO & BoD	Annual review
V. 2018	29 th January 2018	CO & BOD	Annual review and MiFID II update

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1. OVERVIEW

1.1 INTRODUCTION

Seilern Investment Management Ltd (SIM) is authorised and regulated by the Financial Conduct Authority (FCA). SIM has produced a Conflict of Interest Policy, to address actions or transactions, which may give rise to actual or potential conflicts of interest.

As a provider of discretionary investment services to its clients, SIM faces actual and potential conflicts of interests as a natural part of its day to day business undertakings.

SIM's Board of Directors is responsible for establishing and maintaining such controls as are appropriate to its business. SIM is required to establish, implement and maintain an effective conflicts of interest policy that is set out in writing and is appropriate to the size and organisation of the firm and nature, scale and complexity of its business.

1.2 OBJECTIVES

The permissions granted by the FCA are:

Advising on investments (except on Pension transfers and pension opt outs)

Agreeing to carry on a regulated activity

Arranging (bringing about) deals in investment

Dealing in investments as agent
Making arrangements with a view to transactions in investments
Managing investments

SIM's scope of activity is restricted to eligible counterparties and per se professionals. As an authorised firm, SIM must take reasonable steps to identify conflict of interest that arise between the firm and its clients as well as conflicts between one client and another.

The Policy applies to employees of SIM and identifies 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. The Policy specifies the control procedures to be followed and measures to be adopted in order to prevent or manage such conflicts.

1.3 RELATED DOCUMENTS and POLICIES

FCA Principle 6: A firm must pay due regard to the interests of its customers and treat them fairly
FCA Principle 8: A firm must manage conflict of interest fairly, both between itself and its customers
FCA handbook SYSC 4 – General organisational requirements
FCA handbook SYSC 10 – Conflict of interest
FCA handbook COBS 2 – Conduct of business obligations
FCA handbook COBS 11 – Dealing and managing
FCA handbook COBS 12 - Investment research

2. POLICY STATEMENT

2.1 POLICY

SIM conducts its business in accordance with FCA Principle 8, namely that it must manage its conflict of interest fairly, both between itself and its clients, and between one client and another. This helps clients to avoid unnecessary costs and have fair access to all suitable investment opportunities.

SIM strives to manage its conflict in a manner consistent with the highest standards of integrity and fair dealing. In order to ensure that these standards are met, the firm continually and proactively seeks to:

- Identify potential conflicts before they happen
- Control conflicts when they happen
- Review the controls that are in place to manage conflicts

2.1.1 IDENTIFYING CONFLICTS

SIM undertakes a number of activities and provides a number of investment related services where there is a risk that interests of one or more clients could be compromised. These include:

- Managing portfolios of investments
- Advising on investments
- Trading on behalf of clients

SIM has identified several categories of conflicts:

a) Conflicts between the firm and a client

Potential conflicts may exist between clients' interests and interests of SIM. These types of conflicts include situations where SIM may be unfairly advantaged at the expense of a client.

b) Conflicts between a member of staff and a client

Potential conflicts may exist between the interests of a member of staff and the interests of a client. In these situations, employees' interest may not be aligned with the best interests of the client.

c) Conflicts between one client and another

Potential conflicts may also exist between different clients or different types of client. In these situations, one client may receive preferential treatment, which could negatively impact another client.

2.1.2 TYPES OF CONFLICTS

Conflicts may entail a risk of damage to the interests of a client and SIM must, therefore, take into account whether it or a member of staff:

- 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 or,
- 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 monies, goods or services, other than the standard commission or fee for that service.

The circumstances which should be treated as giving rise to a conflict of interest cover cases where there is a conflict between SIM, or a member of staff, and a client; or between one client and another. It is not enough that the firm may gain a benefit, if there is also a possible disadvantage to a client; or that one client to whom the firm owes a duty may make a gain or avoid a loss, without there being an associated possible loss to another such client.

2.1.3 RECORD OF CONFLICTS

The list of identified conflicts and controls and procedures in place to prevent and / or manage these conflicts is set out in schedule 1.

Conflicts entailing a risk of damage to the interests of one or more clients are recorded in the conflict of interest log.

2.1.4 MANAGING CONFLICTS

SIM must maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to prevent or manage conflicts of interest as defined in SYSC 10.1.3 from constituting or giving rise to risk of damage to the interest of its clients.

SIM employs the following techniques to prevent, manage and mitigate conflicts including:

- Using physical information barriers to stop and control the flow of information between certain parts of the business: this is known as a Chinese wall. Chinese walls have been erected between the funds' adviser (SIM) and the funds' manager. On SIM's level analyst have no access to clients. Fund managers, though, for marketing purposes communicate with clients. In certain circumstances, SIM may need to establish Chinese walls within its business when specific areas or individuals have received Confidential Information. We will only share inside information on an absolutely need to know basis in accordance with our regulatory obligations.
- Provisions of internal guidance and training to relevant employees to raise their awareness of conflicts and how to deal with conflicts when they arise;
- Establishing a gifts and entertainment policy, which prohibits staff from giving or receiving gifts and entertainment from third parties / clients without prior authorisation by management;
- Establishing a personal account dealing policy, which prohibits staff from dealing on their personal account without prior authorisation;
- Establishing a separate supervision in relation to those relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict or representing interests that may conflict with each other, including those of the firm, and ensuring that relevant persons engaged in different business activities involving a conflict of interests shall carry on those activities at a level of independence appropriate to the size and activities of SIM;
- Removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of (or revenues generated by) different relevant persons principally engaged in another activity, where a conflict of interest may arise;
- Establishing measures to prevent or limit any person exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary service; and
- Establishing measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services where such involvement may impair the proper management of conflict of interests.

Each member of staff has a duty to report promptly any possible conflict of interest situation by notifying Compliance.

Best practice always dictates that it is better to seek guidance early on any situation that may give rise to a possible conflict of interest. Guidance will be provided by Compliance, who may refer to the conflict committee.

2.1.5 DISCLOSURE OF CONFLICTS

As a measure of last resort, the general nature and / or sources of conflicts of interest shall be disclosed to the client, along with the steps taken to mitigate the relevant risks, before undertaking business with them or on their behalf, should SIM's arrangements to prevent or manage conflicts of interest be insufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented.

The disclosure must:

- Be made in writing;
- Be made in a durable medium; and
- Clearly state that the organisational and administrative arrangements established by SIM to prevent or manage the relevant conflicts are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interest of the client will be prevented, include sufficient detail of the conflicts of interest (including nature and sources) in the provision of investment and / or ancillary services as well as the risks that may arise to the client thereof and the steps undertaken to mitigate those risks taking into account the nature of the client to whom the disclosure is being made to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

2.1.6 DISSEMINATION AND IMPLEMENTATION

A condensed version of the policy forms part of SIM's investment services terms and conditions. A copy of the policy is published on the website - www.seilerninvest.com.

The full policy is communicated to all staff internally via email and is available on the company's hard drive. Training is provided to staff to ensure their understanding and application of the policy.

2.2 POLICY DEVELOPMENT AND APPROVAL

The policy is owned by SIM's Board.

The policy has been developed by the CEO and has been approved by SIM's Board on 30th January 2015 in its initial version.

2.3 POLICY MONITORING AND REVIEW PROCESS

The framework set out in this policy seeks to identify, control and review conflicts which SIM and its employees are exposed to.

SIM's BoD will, on an annual basis, monitor compliance with this policy. It will review and where appropriate, amend and recommend acceptance of the list of identified conflicts to which the business has been exposed in the reporting period.

The Board's ongoing task is to:

- Identify any new conflict;
- Ensure that the measures in place to control the existing conflicts are kept up to date; and
- Review actual conflicts that have arisen.

2.4 REPORTING

Any new identified conflict in relation to the investment or any ancillary service, meaning either a conflict which has arisen or, in the case of ongoing service, a conflict which may arise, is reported to compliance and logged on the conflicts log, for which compliance has responsibility to maintain. Such a conflicts log must be kept updated on a regular basis.

In order to ensure management information can be drawn from the conflicts log, the conflicts log records:

- Conflict type
 - Trading
 - Trading commissions
 - Errors
 - Gifts and entertainment
 - Joint ventures with clients
 - PA dealing
 - Introducers fees
 - Research
 - Reason for the conflict
 - Remedial action taken
 - Conflict action
 - Avoided
 - Managed
 - Disclosed
 - SIM refused to act

All conflicts of interest are raised directly with the CEO. Management information is distributed to SIM's board in the quarterly board report.

2.5 DOCUMENT REVIEW CYCLE

The policy is reviewed and approved by SIM's board at least annually or more frequently in case of changes in the structure of SIM or regulatory amendments.

3. SCHEDULES

Schedule 1 – Conflicts table

Schedule 1 sets out the list of identified potential and actual conflicts of interest that exist within SIM and show the controls and procedures that are in place to mitigate those conflicts.

SYSC 10.1.3 – A firm must take all reasonable steps to identify conflicts of interest between:

- The firm and a client
- A member of staff and a client
- One client of the firm and another

SYSC 10.1.4 – Types of conflict that may arise

- 10.1.4 (1) – SIM is likely to make a financial gain, or avoid a financial loss, at the expense of the client
- 10.1.4 (2) – SIM 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
- 10.1.4 (3) – SIM has a financial or other incentive to favour the interest of another client or group of clients over the interest of the client
- 10.1.4 (4) – SIM carries on the same business as the client
- 10.1.4 (5) – SIM 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 monies, goods or services, other than the standard commission or fee for that service.

CONFLICT BETWEEN SIM AND A CLIENT						
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability
10.1.4 (1)	1.1. Client pitch/ client take-on		1.1.1. Client categorisation - Clients are categorised as professional clients and lose the right to the Ombudsman service	All clients are categorised as Per se professionals and institutional clients. SIM is not authorised to deal with retail clients.	H	L
10.1.4 (2)	Client pitch/ client take-on		1.1.2. Intermediaries - SIM sources its business via Third Party Marketers, duly appointed individual agents as well as direct pitches to potential clients.	SIM sources its clients via various means, TPMs, IA's and direct pitches. Fees are negotiated on a case by case basis within the range indicated in prospectuses of Seilern International Funds PLC and Seilern Balance Fund PLC.	L	L
10.1.4 (1)	Client pitch/ client take-on		1.1.3. Service offering - SIM pitches one fund over another, to make a financial gain at the expense of a client	The client is made fully aware of the various investment categories (fund and fund classes). Fees do vary by size of the investment, a fact disclosed to the client on the firm's website (http://www.seilerninvest.com).	H	L
10.1.4 (1) 10.1.4 (2) 10.1.4 (2A)	1.2. Suitability		1.2.1. Investment - The investment team invests in assets which are more favorable to the firm and to the detriment of the client	SIM only draws a management fee and no performance fee, thus guaranteeing the integrity of any trade it enters. SIM offers UCITS and non UCITS schemes to its clients. The clients having been categorised as professionals, fully understand the different schemes. Trades are allocated on a pro-rata basis by SIM's custodian bank BBH, a process in which SIM has no input, which in turn prevents any mistreatment of customers.	H	L
10.1.4 (5)	1.3 Investment Strategy		1.3.1 SIM receives free research from brokers and other service providers.	SIM generates its own research. SIM also receives research from its brokers, which is used as a verification tool, but not necessarily as a complement to its own research. It only considers dedicated third parties visits or conference calls as free research, which is therefore not charged to the fund.	L	L

CONFLICT BETWEEN SIM AND A CLIENT						
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability
10.1.4 (2) 10.1.4 (3) 10.1.4 (5)	Investment strategy		1.3.1 Research - All clients do not have access to the same research ideas	Research is not generally disseminated to clients, but it is available to clients on request and after approval by the CIO. All research is signed off by SIM's CIO. Portfolio statistics are listed on SIM's respective fact sheets, all of which is made available to clients on a registration basis.	M	L
10.1.4 (1) 10.1.4 (2) 10.1.4 (3) 10.1.4 (5)	1.4 Dealing		1.4.1 Best execution - SIM uses an execution venue, which causes the client to be disadvantaged	SIM has entered into an agreement with three brokers to provide dealing services. Each broker covers a regional segment, which SIM does not interchange. Trading volumes are commensurate to any change implemented to the universe. All three brokers' order execution policy requires it to provide the best possible results when executing trades on behalf of SIM	H	L
10.1.4 (1) 10.1.4 (3)	Dealing		1.4.2. Trade allocation - Fair allocation of trades between customers	SIM does not hold clients' money. Trade allocations are not effected by SIM, but by its custodian, which operates independently.	H	L
10.1.4 (1)	Dealing		1.4.3. Cross trading - are the trades in the interest of both customers and are they executed at a fair price?	Cross trades are rare. The normal sign off will be applied to a cross trade (i.e. 2 signatories). Only orders (buy and sell) received in the same day) are considered as cross trades	L	L

CONFLICT BETWEEN SIM AND A CLIENT						
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability
10.1.4 (1) 10.1.4 (2) 10.1.4 (5)	1.5. Review and performance progress		1.5.1. Errors - Errors not resolved in client's interest	The Errors procedures require errors to be logged promptly, to allow management information to be produced and analysed prior to being presented to the Board quarterly. Errors are charged to the company, rather than to the member of staff responsible. Clients do not bear the cost of firm errors, the firm does. The client keeps the benefit of profits made through a mistake on the portfolio. In addition, the firm has subscribed a Fund and investment management liability insurance with Howden Insurance Brokers Limited Contract No FL120050c	M	L
10.1.4 (1)	Review and performance progress		1.5.2. Performance and tolerance - Failure to review performance and progress to ensure ongoing suitability to client	Performance Review Meetings take place every quarter at a pre-board meeting session. The purpose of these meetings is to allow each fund Manager and Compliance to monitor the performance and conformity to SIM's risk management policy.	M	L
10.1.4 (1)	Review and performance progress		1.5.3. Unfair contract terms - SIM uses unfair contract terms in its terms and conditions of business, to the detriment of the client	SIM's client terms and conditions of business are reviewed by the CO and outside legal advisers.	H	L
10.1.4 (1)	1.6. Ongoing		1.6.1. Client commission - The firm uses client commission to buy in research, which is paid for using client commission	SIM buys research from brokers and independent suppliers as part of the requirement to "un-bundle" commission and research. SIM charges research to the funds and utilises a separate Research Payment Account ("RPA") to make payments. It has adopted the accounting method to collect the research charge, as agreed with each client. The charge is also withdrawn at a frequency agreed between SIM and each client.	M	L

CONFLICT BETWEEN SIM AND A CLIENT						
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability
10.1.4 (1)	Ongoing		1.6.2. Complaints - Clients are actively discouraged from making complaints	SIM has in place a procedure for complaints. This is set out in the prospectuses of Seilern International Funds PLC and the Seilern Balance Fund PLC. The procedure is also set out under the heading "Complaints, breaches, errors and exceptions policies" in SIM's compliance program.	M	L
10.1.4 (5)	1.7. Outsourcing		1.7.1. Outsourcing - SIM outsources a service to a company in which it has a financial or other interest	Prior to outsourcing any function to a third party, extensive due diligence is completed to identify any potential conflicts. Outsourcing contracts are subject to review on a regular basis.	L	L
10.1.4 (1)	2.1. Client pitch/ client take-on		2.1.1. Client categorisation - Clients are categorised as professional clients and lose the right to the Ombudsman service	All clients are categorised as professionals, retail clients are never taken on by SIM.	H	L
10.1.4 (1)	Client pitch/ client take-on		2.1.2. Service offering - A member of staff pitches one service over another, to make a financial gain at the expense of a client	All service offerings related to portfolio investment are authorised at board level. Service offerings not related and not impacting the client's investments are authorised by the firm's management.	M	L
10.1.4 (2) 10.1.4 (3) 10.1.4 (5)	2.2. Dealing		2.2.1. Best execution - A member of staff uses an execution venue which causes the client to be disadvantaged	SIM has entered into an agreement with three brokers, to provide dealing services. These services are provided on a 20 basis point charge, which is revised from time to time. The brokers order execution policy requires them to provide the best possible results when executing trades on behalf of SIM.	H	L

CONFLICT BETWEEN SIM AND A CLIENT						
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability
10.1.4 (1) 10.1.4 (2) 10.1.4 (5)	Dealing		2.2.2. Errors – A member of staff remedies an error without correcting the error, i.e. by not charging commission on the deal	The Errors procedures state that the client must be put back to the financial situation he would have been in had the error not occurred. Correcting an error by other means would be a breach of the procedures and could lead to disciplinary action being taken. The client keeps the benefit of profits made through a mistake on the portfolio. In addition, the firm has subscribed a Fund and investment management liability insurance with Howden Insurance Brokers Limited Contract No FL120050c	H	M
10.1.4 (1)	Ongoing		2.3.3. PA dealing - A member of staff front runs in-house investment decisions through personal account dealing	SIM owns a PA dealing policy. The PA dealing policy requires a sign off by the Compliance Officer of SIM. All deals are logged in the PA dealing register. Dealing restrictions are line out in the policy.	H	M

CONFLICT BETWEEN SIM AND A CLIENT							
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability	
10.1.4 (2)	Ongoing		2.3.4. Gifts and entertainment - A member of staff receives gifts or entertainment from a client	SIM owns a gift and entertainment policy. Gifts up to £50 may be accepted without the prior approval of management, prior they are not accepted in return for business favours. Gifts above £50 require approval by management prior to acceptance. Entertainment up to £150 may be accepted without the prior approval of management; provided it is not accepted in return of business favors Entertainment above £150 requires approval by management prior to acceptance.	M	M	
10.1.4 (2)	Ongoing		2.3.5. Gifts and entertainment - A member of staff receives gifts or entertainment from a third party	See 2.3.4.	M	M	
10.1.4 (5)	Ongoing		2.3.6. Gifts and entertainment - A member of staff accepts inducements or executes business with brokers that provide frequent, lavish or excessive hospitality	See 2.3.4.	M	M	
10.1.4 (2)	Ongoing		2.3.7. Outside business interests - A member of staff has directorships or a business interest in the recommendations made	Staff are required to notify compliance of any directorships or outside business interests as and when these interests occur and/or through the annual fit and proper process. Any potential conflicts identified are logged on the conflicts log and raised with senior management, where needed	L	L	
10.1.4 (1)	Ongoing		2.3.3. PA dealing - A member of staff front runs in house investment decisions through personal account dealing	SIM owns a PA dealing policy. The PA dealing policy requires a sign off by the Compliance Officer of SIM. All deals are logged in the PA dealing register. Dealing restrictions are line out in the policy.	H	M	

10.1.4 (2)	Ongoing		2.3.4. Granting of shares to member staff as part of a result-based compensation - this situation is exclusively applicable to one member of SIM's sales staff at the time of the last update to this policy	Where a salesperson is granted shares as part of a result-based compensation, SIM has put in place various measures which ensure the removal of any direct link between this remuneration and the revenues generated by activities carried out by other relevant persons and which prevent any person from exercising inappropriate influence over the salesperson. Such measures involve, for example, the requirement of validation by persons who are principally engaged in activities not linked to those of the salesperson, a carefully selected list of contacts and strict conditions which must be satisfied prior to any compensation of the salesperson.	L	L
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CONFLICT BETWEEN ONE CLIENT AND ANOTHER						
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability
10.1.4 (3)	3.1. Dealing		3.1.1. Trade allocation – Fair allocation of trades between customers	SIM does not hold clients' money, nor does it hold clients' accounts. Trades are uploaded in MOXY via a file creation and transferred to SIM's custodian BBH, which implements the share allocation.	H	L

CONFLICT BETWEEN ONE FUND AND ANOTHER						
SYSC	Process Stage	Ownership	Potential or Actual Conflict	Control & Procedures	Impact	Probability
"10.1.4 (2) 10.1.4 (3) 10.1.4 (5)"	4.1 Dealing		4.1.1. Best execution - A member of staff uses an execution venue, which advantages a fund over another, thus causing a client to be disadvantaged	SIM will merge orders between different funds in order to avoid pricing conflicts between funds.	H	L