

CONFLICTS OF INTEREST POLICY

1. INTRODUCTION

A conflict of interest is a situation in which a firm (or employee) finds itself in a position where its own interests conflict with the duty owed to its customers or, a situation in which its duty to one client conflicts with its duty to another. Such situations can make it difficult to fulfil duties impartially. A conflict of interest may exist even if no unethical or improper act results from it.

Sandaire is committed to meeting the highest standards of ethical and market practice in respect of the management of conflicts of interest and to act at all times in the best interests of our customers. In that regard, Sandaire will take all appropriate steps to identify, manage and monitor all actual and potential conflicts of interest that can arise in the provision of its discretionary and advisory investment management and execution only services to retail and professional clients and all other services provided.

The purpose of this policy is to identify potential conflicts of interest and specify the procedures to be followed and measures to be adopted in order to prevent, manage and monitor such conflicts in order to ensure fair treatment and avoid adverse effects on the interests of our clients. It is the responsibility of all those at Sandaire to familiarise themselves with this policy.

2. REGULATORY BACKGROUND

FCA Principle 8 (Conflicts of interest) states:

A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

These requirements have been amplified in the FCA Sourcebook Senior Management Arrangements, Systems and Controls (SYSC 10).

The FCA rules require that firms establish, implement and maintain an effective conflicts of interest policy and procedures to mitigate and manage these conflicts. The FCA rules do not consider disclosure of actual and potential conflicts to be adequate means of conflict management or of meeting the obligations under Principle 8.

The mismanagement of conflicts can present serious risk to a firm, its personnel, customers, counterparties and other market participants and for this reason the avoidance or proper management of conflicts is central to the fair and effective operation of financial markets. The FCA highlights this importance throughout the rules as well as in the FCA principles.

3. IDENTIFYING CONFLICTS

Senior management identifies the principal conflicts and potential conflicts we face in our day to day business on a quarterly basis and describe these in an inventory of conflicts and potential conflicts (the Conflicts Inventory) which is made available to all staff. The Conflicts Inventory is detailed below and additionally summarises the means by which we manage these conflicts.

For the purposes of identifying the types of conflict or potential conflict that arise and which may entail a material risk of damage to the interests of a client, we must take into account whether the firm (including its managers and employees), or a person directly or indirectly linked by control to the firm:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or 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

4. CONFLICT AVOIDANCE

Where possible, we seek to organise our business activities, including external arrangements, so as to avoid conflicts. Where conflicts are unavoidable, we ensure that appropriate policies, procedures and controls are developed ahead of the arrangement giving rise to the conflict. In limited circumstances, where we are not reasonably confident that the interests of a client will be adequately protected, we must clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking any business.

5. MANAGING CONFLICTS

Where conflicts are unavoidable, we develop both formal and informal procedures for their management. Such procedures are designed to ensure that the management of the conflict takes place in such a way that the firm or its employees are not advantaged and no client is disadvantaged. These are explained in more detail below.

6. DISCLOSURE OF CONFLICTS

If arrangements made by Sandaire to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, Sandaire is obliged to disclose the general nature and/or sources of conflicts of interest to the client, and the steps taken to mitigate those risks before undertaking business for that client. Sandaire's disclosures are included in the Terms of Business. Sufficient detail is provided to enable potential clients to take an informed decision in relation to Sandaire's service.

It is possible that other specific conflicts may arise and these will be dealt with on an individual basis. These will be considered by the Executive Committee and recorded in the Conflicts Inventory.

7. ESCALATION PROCEDURE

Where a member of staff encounters a situation where they suspect a potential conflict of interest may exist which is not specified in the Conflicts Inventory or where they believe the measures and procedures to manage that conflict of interest are inadequate, they should consult the Compliance team.

Compliance will advise on the course of action to be followed by the member of staff in the situation. Where it is agreed that a conflict of interest does exist, Compliance will enter the conflict into the Conflicts Inventory including the measures to manage that conflict fairly and appropriately. Where the conflict of interest is material in nature, either by impact on the client, potential value or potential reputational risk, Compliance will escalate it to the Executive Committee which will then decide on the appropriate course of action.

8. RESPONSIBILITY, REVIEW AND MONITORING

Whilst overall responsibility rests with the Board, Compliance is responsible for the ongoing maintenance, review and monitoring of the Conflicts of Interest Policy.

Compliance will arrange for a review of the Conflicts of Interest Policy on an annual basis and the Conflicts Inventory, which contains both standard/continuous and transient conflicts, on a quarterly basis. The output of the reviews are considered by the Executive Committee.

There are a number of controls to detect conflict situations as they arise. In addition, the compliance monitoring programme incorporates a number of specific tests aimed at reviewing Sandaire's performance in the management of conflicts. Results are reported to the Executive Committee.

9. TRAINING AND EDUCATION

All staff receive both formal and informal training in respect of conflicts of interest generally and the specific conflicts and potential conflicts to which we are subject.

10. THE CONFLICTS INVENTORY

Senior management has identified the following principal conflicts and potential conflicts.

10.1 TRADING AND INVESTMENT CONFLICTS

We face a variety of “standard” conflicts similar to those faced by most firms in a similar business to ours. The small size of our business and our investment process with its focus on asset allocation and manager selection rather than individual stock selection, reduces the likelihood and effect of many potential conflicts. These include conflicts associated with, inter alia:

(a) Personal account trading by staff in securities traded for clients

(i) We manage this conflict by having in place a policy in relation to personal account dealing which requires pre-authorisation of defined types of transaction.

(ii) Our focus on manager selection rather than individual securities acts as a further mitigation.

(iii) The level of personal trading is not significant and, with a small number of staff, can be effectively monitored and controlled.

(b) Order aggregation and allocation of transactions and investment opportunities amongst different clients or between its staff and clients

(i) We manage this conflict by having rules applying to the aggregation and allocation of trades across clients or the firm’s staff and clients. Deals executed are also checked as part of our compliance monitoring programme.

(ii) We do not trade on our own account and the level of personal account dealing is not significant as noted above, both of which are mitigating factors.

(c) Inducements - Gifts and hospitality

We manage this conflict by having rules governing the acceptance of gifts and hospitality. This is covered by our compliance monitoring programme.

(d) Inducements - Research

We manage this conflict by paying for external research directly. Our arrangements are covered in the Investment Research policy and these are monitored by Compliance as part of our compliance monitoring programme.

(e) Having a conflicting position in securities or adopting conflicting trading strategies for different clients such that dealing for one client may potentially be detrimental to the other.

(i) The relatively small number of clients allows us to manage this potential conflict effectively.

(ii) We also have a weekly meeting to discuss existing and potential clients that involves the investment, client relationship and operations teams. This covers all aspects of the client relationship.

10.2 PRICING AND VALUATION CONFLICTS

We are remunerated by reference to our total funds under management as well as to the performance of our portfolios. Potential conflicts therefore arise with respect to, inter alia:

(a) Seeking to overstate or otherwise have influence over the fair valuation of securities and other financial instruments and in particular those which may not have a quoted market price or which may otherwise be difficult to value accurately.

We manage this potential conflict as follows:

(i) Our investment process with its focus on asset allocation and manager selection mitigates the potential conflict.

(ii) The majority of prices are downloaded from third party sources into our internal accounting and reporting system, which is used to prepare the client reports.

(iii) A valuation policy is in place outlining the principles and procedures of fair valuation.

(iv) Unquoted securities typically represent a relatively small part of a client's Portfolio, which reduces the risk of a material misstatement of the total value of the Portfolio. Where there is no third party source for the price of an investment, the valuation of the holding is reviewed by the Valuation Committee which is independent of Sandaire's Investment Team.

(b) Not taking sufficient action to rectify pricing and other valuation errors or anomalies where to do so would have a negative impact on the price and value of those securities

(i) We manage this conflict through the segregation of duties and independence of departments.

(ii) We have appointed separate administrators who calculate the prices of the OEICs, which are then "shadowed" internally to ensure that any errors are quickly identified and resolved.

10.3 RELATIONSHIP CONFLICTS

We have business relationships with suppliers, Group companies and some external counterparties that could give rise to potential conflicts.

We manage this conflict by establishing and maintaining close relationships with a relatively small number of parties where these can be effectively monitored and controlled.

10.4 STAFF REMUNERATION

Our staff are remunerated on the basis of salary and bonus. Compensation arrangements are consistent with, and promote, sound and effective risk management.