

## Miton Group- Conflicts of Interest Policy

### 1. Information about this policy

#### 1.1 Purpose and background

This policy deals with the identification and effective and equitable resolution of conflicts of interest that could arise within the group companies of Miton Group plc (the “**Group**”). References to “**Miton**” within this policy relate to all members of the Group who are authorised and regulated by the Financial Conduct Authority of the United Kingdom (the “**FCA**”) (currently, Miton Asset Management Limited and Miton Trust Managers Limited) unless a specific reference is made to one or more group companies.

Miton manages portfolios of investments on a discretionary basis for a number of funds and other investment vehicles (collectively “**Clients**”), all of which are categorised as Professional Clients for the purposes of the FCA’s conduct of business rules.

Miton is an investment firm that is subject to the requirements of the FCA Rules that implement the Markets in Financial Instruments Directive (“**MiFID**”).

#### ***FCA Rules concerning conflicts of interest***

Chapter 10 of the FCA’s Senior Management Arrangements, Systems and Controls sourcebook (“**SYSC**”) makes a number of rules in relation to conflicts of interest.

Under SYSC 10.1, Miton is required (amongst other things):

- to take all reasonable steps to identify conflicts of interest, that arise or may arise in the course of Miton providing any service to its clients, between:
  - (1) Miton, including its managers, employees and appointed representatives or tied agents, or any person directly or indirectly linked to them by control (including any affiliates), and a Client (and/or, where the Client is a fund, the investors in that fund); or
  - (2) one Client (and/or, where the Client is a fund, investors in that fund) and another Client (and/or, where the Client is a fund, investors in that fund);
- to keep and regularly update a record of the kinds of service or activity carried out by or on behalf of Miton in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen, or in the case of an ongoing service or activity, may arise;
- to maintain and operate effective organisational and administrative requirements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of Miton’s clients;
- where arrangements made by Miton 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, to clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business for the client; and

- 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 Miton, and the nature, scale and complexity of its business.

## 1.2 **The conflicts of interest policy**

This document is Miton's conflicts of interest policy referred to above, required by the FCA Rules implementing MiFID at SYSC 10.1. It identifies in Section 2 below, by reference to the specific services and activities carried out by or on behalf of Miton, the circumstances which may give rise to a conflict of interest entailing a material or potential risk of damage to the interests of one or more Clients. Where conflicts are identified, it also specifies procedures to be followed and measures to be adopted in order to manage or avoid such conflicts.

## 2. **Identifying and managing potential conflicts of interest**

In accordance with the rules in SYSC 10.1 set out above, Miton has identified a number of potential conflicts of interest which may arise in the course of Miton providing portfolio management services to Clients.

The sections below refer to each distinct conflict identified, and describe the procedures that Miton will follow and the measures that Miton has adopted in order to manage the conflicts of interest identified.

### 2.1 **Allocation of orders and trades**

#### ***Potential conflict***

Miton may be required to decide between allocating an investment or trading opportunity between several Clients and/or, where orders relating to more than one Client have been aggregated, allocating a partial fill of the aggregated order among such Clients. Miton has identified that in such a situation, a conflict of interest could arise if, for example Miton preferred one Client over another in its allocation of opportunities or fills, particularly if there are different fee arrangements applicable to the Clients or if there is significantly more investment by the Group's principals/employees in the Client that is (or might be perceived to be) preferred.

#### ***Method of managing/avoiding conflict***

Miton manages any such potential conflict by maintaining and following a comprehensive, firm wide Allocation Policy. The Policy is designed to ensure that pre-trade allocations of orders and post-trade allocations of fills are effected on a fair and equitable basis and without preferring any particular Client. The Policy sets out the process to be utilised by Miton employees when allocating opportunities and fills.

To ensure that the Allocation Policy is being complied with, the Compliance department monitors compliance with it on a regular basis. Any deviations from the policy require the approval of the Head of Compliance.

### 2.2 **Personal account trading**

#### ***Potential conflict***

Employees or officers of the Group may engage in trading of securities or other instruments for their own account. Such trading activities may put those employees and officers, or the Group, in conflict with the interests of the Clients (for example, by having a

personal interest in a transaction with a Client, or by front-running transactions with Clients).

#### ***Method of managing/avoiding conflict***

Miton manages this potential conflict of interest by maintaining and following a Personal Account Dealing Policy which has been formulated in accordance with relevant FCA Rules and market best practice. This Policy, amongst other things, states that:

- all staff and Miton remunerated Non-Executive Directors may not deal for their own account in any investment, without obtaining the prior written approval of the Compliance department;
- the Compliance department will not give approval for a personal account transaction if it believes that it might cause a conflict with the Firm's duties to act in the best interests of its Clients under the regulatory system
- a register of all personal account dealings is maintained by the Compliance department and all employees must disclose their personal dealing accounts (and the accounts of "connected persons"); and provide an opening account statement and annual statements thereafter for any account where the employee has investment discretion;
- the Compliance department keeps records of all permissions for personal account dealing; and
- securities purchased for a personal account must be held for a minimum of 90 business days, as personal account trading is permitted by Miton to allow long-term investment, and not to permit speculation.

The Personal Account Dealing Policy makes clear to staff that if they do not comply with the Policy severe disciplinary consequences may ensue, including dismissal for gross misconduct.

### **2.3 Gifts and Entertainment**

#### ***Potential conflict***

The giving or receiving of gifts, entertainment, or any other form of gratuity or hospitality by or to Group employees or officers may create the appearance of partiality and may lead to a potential conflict of interest between the interests of the donor / donee and the interests of the Clients. For example, a Group employee might be perceived to have directed order flow or other business to a broker in order to reward it for a significant gift or inducement that the employee has received (rather than on the basis of execution quality).

#### ***Method of managing/avoiding conflict***

The Group manages these potential conflicts by maintaining and following a detailed Non-Monetary Benefits (Gifts & Entertainments) Policy.

Among other things, this Policy provides that no Miton employee or Miton remunerated Non-Executive Director may accept from, or give to, any person any gift or other benefit that cannot properly be regarded as justifiable in all circumstances. Policies and procedures have been implemented to ensure that employees and Miton remunerated Non-Executive Directors do not offer or accept gifts or inducements which may give the perception that decisions or actions are not impartial. Employees and Miton remunerated

Non-Executive Directors are required to record details of any entertainment or corporate hospitality received and obtain prior approval from senior management and the Compliance department above certain monetary values. Details of such gifts and hospitality are recorded on a register maintained by the Compliance department and quarterly reviews of all gifts, entertainment and corporate hospitality given and received by all Miton employees are undertaken by Compliance.

Miton also has an Anti-Bribery Policy which prohibits the offering, the giving or acceptance of any bribe intended to induce an 'improper performance' of a relevant function or activity. This applies to any partner/employee, or associated person, whether they are situated in this jurisdiction or extra territorially

## 2.4 **Outside business activities and investments in service providers**

### ***Potential conflict***

Employees or officers of the Group may hold outside business interests, such as directorships, or shareholdings in service providers to the Group. The Group has identified that such outside business interests or investments could cause a potential conflict of interest between the personal interest of the relevant employee / director and the interests of Clients.

### ***Method of managing/avoiding conflict***

- 2.5 Miton manages this potential conflict by maintaining and following an Outside Business Interests Policy. This Policy requires employees and officers who hold outside business interests or investments in service providers to disclose new interests or investments to the Compliance department, which will consider requiring disclosure to Clients, if the employees have a significant ownership in a service provider. The policy requires employees to disregard the interest, relationship or arrangement concerned when acting on behalf of Clients.

The Policy prohibits employees from accepting personal fiduciary appointments (such as trusteeships or executorships other than those resulting from family relationships) without first obtaining written approval from the Compliance department. The Compliance department maintains a list of all employees outside business interest including those of 'connected persons'. In addition to the above Miton Group plc Executive Directors must also seek approval from the Board for any outside appointments.

## 2.6 **Trade Errors**

### ***Potential conflict of interest***

From time to time, Miton may make an error that causes a managed portfolio to suffer a loss (such as a trade error, a settlement error, or an allocation error). Miton may or may not absorb the cost of that error.

Miton has identified that having discretion as to whether or not it will absorb the cost to the relevant Client of a trade error gives rise to a potential conflict of interest between its own interests and those of the affected Client(s).

### ***Method of managing/avoiding conflict***

Any potential conflicts are managed by reviewing any errors on a case-by-case basis in accordance with the following principles:

- whenever an error occurs, the Compliance department/ reviews the error and determines whether it is appropriate for the error to be absorbed by the relevant Client(s) or by Miton.
- All errors are investigated by Compliance and notified to the Authorised Corporate Director (ACD) or Unit Trust Manager (UTM) for the relevant Client. Where a material error arises, Miton and the relevant ACD/UTM will determine how the error is to be best absorbed. If a material error were to arise the outcome would be signed off by Miton's Senior Executive Group.
- Miton maintains a record of all errors, along with a description of the error and any remedial action taken to resolve the error. In the event that a material error were to arise the affected Client/s would be notified in accordance with relevant regulatory guidelines.

## 2.7 Execution of orders

### ***Potential conflict***

In accordance with FCA Rules, Miton has implemented an Order Execution Policy, which details those brokers and execution venues with which it considers it may place orders to obtain best execution for its clients. Miton recognises that executing orders either on an execution venue, or through a broker that is not listed in its Order Execution Policy, and the process of selecting new brokers or execution venues to add to its Order Execution Policy, could give rise to a conflict of interest. For example, there might be a conflict if Miton or an employee selecting or using the broker has a personal connection with the broker or a relevant member of staff within that broker.

### ***Method of managing/avoiding conflict***

Miton has implemented, as part of its Order Execution Policy an impartial procedure for the approval of brokers and execution venues. This procedure requires all new brokers and execution venues to receive prior approval from Miton's Broker Oversight Committee before they are added to the Order Execution Policy. Venues and brokers not listed on the Policy are only permitted to be used in exceptional circumstances, with prior sign-off from the Broker Oversight Committee.

All employees engaged in portfolio management/trading are required to declare any family, business or other close connections with members of staff at the brokers used by Miton. As a matter of general policy employees engaged in portfolio management/trading are not permitted to place orders with persons with whom they have such connections.

In accordance with Miton's Order Execution Policy, Miton's employees are required to take all reasonable steps to direct order flow to the brokers and venues that will yield the best possible result for the Clients. As part of its general best execution monitoring capacity, the Compliance Department monitors how order flow generated by individual employees is distributed among brokers and carries out transaction cost analysis.

## 2.8 Clients with overlapping/divergent strategies

### ***Potential conflict***

Miton may manage portfolios for Clients which have the same or overlapping investment strategies, but which have different individuals responsible for the portfolio management activities. Where one such individual manager is aware of investment decisions made by

the other individual manager, there is a risk of that manager using the information to front-run the other manager's clients ("**Front-Running Conflict**").

In addition, different Clients may invest in different instruments of the same issuer (or closely related issuers) or in different tranches of the same instruments in the same issuer (for example, one Client might be invested in the issuer's equity and another in the issuer's debt). Such a situation could lead to potential conflicts of interests between such Clients, for example:

- if the issuer encounters financial difficulties, or approaches an insolvency situation, the interests of holders of different instruments in the issuer may diverge, meaning that the interests of Clients holding different instruments may conflict; and
- if the aggregate holding of investments (of whatever class) in the issuer across all Clients is of such size that Miton could be in a position to influence the management or strategy of the issuer, the particular approach taken by Miton (or, even whether to pursue an activist agenda) could cause a conflict between Clients with different investment strategies.

#### ***Method of managing/avoiding conflict***

The Group manages the risk of a potential Conflict arising by:

- strictly prohibiting any form of front-running by front office staff;
- generating an automatic notification to the centralised execution desk and/or Compliance in circumstances where two portfolio managers acting for different Clients enter into transactions, in the same direction or in opposite directions, in the same financial instrument within a particular time frame. Where transactions are entered in the same direction and in the same instrument by two different Clients within a specific time window, then an automated notification is sent by the Firm's OMS to the centralised execution desk. Where a warning is received by the desk a decision is made to either aggregate both orders and allocate the executed order (or part-fills) between Clients on a pro-rata basis at the average executed price; or to execute the orders sequentially leaving enough time between orders for the market to rest. Where transactions are entered in opposite directions and in the same instrument by two different Clients within a specific time window, then an automated notification is sent to both Compliance and the execution desk. Compliance will investigate each notification and determine jointly with the portfolio managers and the central execution desk how best to execute the orders taking into account the Client's best interests and market conduct rules. In addition to the above, where portfolio managers transact with the knowledge of their own intentions in securities where there is a possible market impact, the Compliance department acting jointly with the portfolio manager may restrict trading to avoid other portfolio managers trading in the same or opposite direction for different Client's where there may be a perception that the portfolio manager is seeking to benefit from possible price movements; and
- investigating such instances via the Compliance Department, including obtaining and reviewing explanations from the relevant portfolio managers who entered into those transactions as to the reasons for their trading activities.

It would be unusual for Miton to invest on behalf of two Clients in different instruments issued by the same issuer. Consequently, there are no specific policies in place for managing such a conflict. Any such situation would be dealt with as an *ad hoc* conflict in accordance with the procedure described in section 3.

## 2.9 Dealing commission arrangements

### ***Potential conflict***

Portfolio managers may enter into arrangements (“**dealing commission arrangements**”) under which the broker agrees to pay for certain goods and services that are supplied directly to the portfolio manager (usually by a third-party rather than the broker or one of its associated companies) or to provide to the manager, on a bundled basis, additional services (e.g. the provision of research) (so-called “**bundled brokerage**”).

The Group enters into dealing commission arrangements with brokers, and considers that the entry by it into dealing commission arrangements could give rise to a conflict of interest where fund management costs can be passed to underlying customers with minimal scrutiny. Additionally, in the case where a broker provides research services or other services, to Miton without making a direct charge for those services (including under bundled brokerage arrangements), another potential conflict of interest is that Miton might be tempted to direct order flow to that broker in order to reward it for the research and other services that the broker has supplied to the Group (rather than on the basis of execution quality).

### ***Method of managing/avoiding conflict***

Miton manages the risks of conflict associated with dealing commission arrangements by:

- complying with the rules of the FCA, and of any other relevant regulatory body, as regards permitted dealing commission arrangements;
- utilising only those services that are determined by Miton to provide lawful and appropriate assistance to Miton in carrying out its responsibilities to investors in managed portfolios;
- making a good faith determination that the amount of commission, under the soft commission arrangement, is reasonable in relation to the value of the services provided by the broker-dealer;
- making prior and periodic disclosure of Miton’s soft commission arrangements to its clients, as required by law and/or by the FCA Rules;
- entering into commission sharing agreements with brokers to enable Miton to remunerate research providers and other permitted service providers from commission pools accumulated at those brokers rather than by Miton directing order flow to those research/service providers (thereby facilitating order flow to be directed to brokers on the basis of execution quality, not quality of research), although Miton does still receive bundled brokerage services from some brokers that it regards as good executors of trades (and to whom it would direct flow in any event); and
- following the terms of Miton’s Order Execution Policy (which requires Miton to take all reasonable steps to obtain the best possible result for the Clients), in deciding where to route order flow. This Policy does not permit research and other free of charge services to be taken into account in deciding where order flow should be directed. In accordance with applicable FCA Rules, the Compliance Department regularly monitors compliance with the Order Execution Policy and also conducts an annual review of the adequacy of the Policy.

## 2.10 Fees

### ***Potential conflict***

The Group charges a management fee (typically a fixed percentage of assets under management) to its clients. The Group does not charge performance related fees.

Miton considers that charging fees for, and receiving payment in exchange for, the provision of its services to clients does not, of itself, give rise to a conflict of interest. However, Miton has identified that a failure to properly disclose the amount of, and basis of calculation of, its fees, could give rise to a conflict of interest between its interests and those of its investors.

In addition, a potential conflict could arise if Miton caused one Client to make an investment of its assets into the shares of another Client. The conflict of interest may arise if Miton receives double fees for the investment (i.e. from both the investor and investee Clients).

### ***Method of managing/avoiding conflict***

The risk of such conflict arising is managed by ensuring that all such fees and commissions are clearly disclosed for the relevant Client and Miton's investor due diligence questionnaires.

Miton manages the potential conflict connected with investment in Client assets by requiring the rebate of fees to the investor Client.

## 2.11 Possession of Inside Information

### ***Potential conflict***

Employees or officers of the Group may come into possession of inside information. The improper use of such information by the Group's employees or officers could cause a conflict of interest with the interests of the Group's clients, or between the interests of the Group's clients, and may also be unlawful.

### ***Method of managing/avoiding conflict***

The Group manages these risks by maintaining and following a Market Abuse Prevention Policy. This Policy has been designed to prevent and detect any insider trading, taking into account the nature of the Group's business and the instruments typically traded. The Group has also implemented procedures to manage the risks of insider dealing, including the use of restricted lists and pre and post trade monitoring

## 2.12 Misuse of client information

### ***Potential conflict***

Employees and officers of the Group have access to confidential information concerning the Clients' clients. It is possible that Group employees or officers could misuse that information in conflict with the interests of the client.

### ***Method of managing/avoiding conflict***

Miton manages the risk of misuse of client information by requiring the Group's employees and officers to sign a confidentiality agreement which (amongst other things) contains the Miton's Policy on protecting the confidentiality of client information. Remuneration policy

### ***Potential conflict***

The remuneration of certain of the Group's employees and officers is linked to the performance of portfolio assets for which they are responsible. Whilst this ensures a significant commonality of interest between those employees and the relevant Clients, it does give rise to a potential conflict between their personal interests and the interests of the clients whose assets they manage (for example, by potentially encouraging excessive risk-taking to claim higher performance-related compensation should the risk prove to have been successful).

### ***Method of managing/avoiding conflict***

The Group manages this risk by:

- implementing and maintaining robust risk management procedures, which effectively control and monitor the trading positions of any such employees/officers. Each Client's and each portfolio manager's positions are rigorously monitored on a real time basis in accordance with Miton's pre-determined risk management limits; and
- maintaining a remuneration policy which is compliant with the requirements of the FCA's remuneration code including measures such as deferral and clawback which align the interests of key employees with the longer term interests of Miton's Clients.

## **2.13 Capacity constraints**

### ***Potential conflict***

Miton's remuneration arrangements with the Clients include a management fee that is calculated by reference to assets under management. The higher the assets under management, the greater the revenue from that fee. However, increasing the assets under management (by accepting new investors into the relevant Client) can make it more difficult to maintain a high rate of return on that Client's assets. There is a potential conflict of interest in that Miton could be tempted to permit additional investors in the Client to increase the size of its management fee, where this is not in the Client's interests in terms of Miton's long term ability to generate high returns.

### ***Method of managing/avoiding conflict***

Any mid-term reduction in performance would be likely to lead to investors redeeming their investments in the Clients, thereby ultimately reducing the management fee. Consequently, the Group's and the Clients interests (in terms of the desire to control capacity so as not to impact adversely its ability to generate high returns) are aligned. The Group only permits additional investment in the Clients where it is confident that it has surplus capacity to continue to generate expected returns.

3. **Miton's policy in relation to new or ad-hoc conflicts of interest**

- 3.1 This document does not serve as an exhaustive list of all conflicts of interest that may be encountered by Miton. In the event that a new or *ad-hoc* conflict of interest arises which has not been anticipated by this policy, Miton will identify and manage such conflicts in accordance with the following procedures.
- 3.2 The Group manages new and ad-hoc conflicts through a process of escalation. Where new conflicts are identified by employees these should initially be discussed with line managers and if appropriate escalated to members of the Senior Executive Group, the Head of Compliance and/or Miton's Ethics & Anti-Bribery Officer.