



Neptune Investment Management

## Conflicts of Interest Policy

### Introduction

This policy has been put in place under the Markets in Financial Instruments Directive (“MiFID”) to meet our obligations to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest.

### Definition

Acting for customers may create conflicts between the interests of Neptune and its customers or between the interests of different customers.

There may be a conflict where we (or anyone connected to us including an affiliate):

- are likely to make a financial gain (or avoid a loss) at a client’s expense;
- are interested in the outcome of the service provided to a client where our interests are distinct from that client’s interests;
- have a financial or other incentive to favour the interests of one client over another;
- carry on the same business as a client; or
- receive money, goods or services from a third party in relation to services provided to a client other than standard fees or commission.

Neptune is authorised and regulated by the Financial Conduct Authority (“FCA”). As such, we are required to conduct our business in accordance with the eleven Principles for Business laid down by the FCA. The Principles primarily relevant to this policy include:

- conducting our business with integrity (Principle 1);
- exercising due skill care and diligence (Principle 2);
- paying due regard to the interests of our clients and treating them fairly (Principle 6);
- communicating information to our clients in a way that is clear, fair and not misleading (Principle 7); and
- managing conflicts of interest fairly (Principle 8).

This document provides key information designed to enable you to understand the measures we may take to safeguard a client’s interests.

Neptune provides a range of services to a number of different clients. It is therefore feasible to suggest that circumstances might arise whereby the interests of a client may conflict with the interests of Neptune or with those of another client.

At Neptune we are committed to treating our clients fairly. Neptune will never knowingly put itself in a position whereby its own interests, or its duty to another party, prevent it from discharging its duty to its clients.

If Neptune has a relationship that gives rise to a conflict with the interests of any of its clients, it will not knowingly act for that client without taking reasonable steps to ensure the fair treatment of that client.

Similarly, if Neptune has an interest in a transaction that gives rise to a conflict with the interests of any of its clients, it will not knowingly advise the client, or exercise discretion on behalf of that client, without taking reasonable steps to ensure the fair treatment of that client. For these reasons, Neptune has produced a Conflicts of Interest Policy that takes a three-stage approach to managing any actual or potential conflicts of interest. These three elements are as follows:



Neptune Investment Management

- maintaining a policy of independence from issuers to ensure that independent advice is given at all times and that clients are treated fairly;
- disclosing potential or actual conflicts to clients where we are not confident that they can be adequately managed by our internal controls. The client will be provided with sufficient information so that they are able to make an informed decision on whether or not to proceed; and
- declining to act for a client where we have disclosed the conflict but feel it may entail a material risk of damage to that client's interests.

These three elements combine with more specific policies for areas of the business where we have identified that potential conflicts are most likely to occur. These policies are summarized below.

### Research

The FCA has distinguished between "impartial" (or "objective") and "non-impartial" (or "non-objective") research. Impartial research can only be produced by persons who do not have responsibilities that might conflict with the interests of the clients who may rely upon that piece of research. Conversely, non-impartial research is categorised as such because persons who may be exposed to such conflicts of interest have prepared it.

The Neptune policy covers material that may fall within the FCA definitions of impartial research. Neptune does not produce "non-impartial" material.

However, not all types of reports and recommendations on investments present the same potential for conflicts of interest.

This policy does not therefore relate to the following (which will not be presented as non-impartial research reports and which Neptune believes will not be perceived by recipients as non-impartial research reports):

- analyst's personal recommendations, trade execution ideas and other written or electronic analyses prepared for a current or prospective investor or counterparty (or group of current or prospective investors or counterparties) by a salesman or other non-analyst who is not engaged principally in the preparation of communications that would be considered by recipients as research reports; and
- technical analysis concerning the demand and supply for a security or industry based on trading volume and price without any analysis of the specific security itself.

Documents so published will make clear in a disclaimer that they are the analyst's personal recommendations; are not research reports ("non-impartial"); and, even if they could be deemed to fall under the regulatory definition of research, is not objective research.

These documents will be the only investment research produced by the analysts. Investment research will always be published or distributed through Neptune's usual channels i.e. email, website and hard copy.

The Neptune analysts report to the Head of Research who, in turn, reports to the Chief Executive. The Chief Executive, in conjunction with the Head of Research, takes decisions on the remuneration of analysts.

There may be occasions when an analyst becomes aware of unpublished or confidential price-sensitive/relevant information, very often from the company that the analyst is researching. Until the information has been made public, an analyst should not publish an



Neptune Investment Management

opinion based on the information and not speak to clients, dealers or salesmen to give an opinion based on the information.

### **Share Allocation**

Neptune must deal with client orders sequentially and in accordance with the timing of their reception. They must be accurately recorded and allocated. Neptune and its employees must not misuse information relating to client orders.

If one or more client orders are aggregated with a transaction for Neptune, the trades must not be allocated in a manner detrimental to any client. If the aggregated order is only partially executed, the trades must be allocated to the clients in priority to Neptune. Unfair precedence should not be given to Neptune or to any particular client.

### **Investment Decisions**

Neptune manages multiple accounts and makes decisions for each account based on the investment objectives, policies, practices and other relevant investment considerations that it believes are applicable to that account. Consequently, Neptune may purchase securities for one account and not another account, and the performance of securities purchased for other accounts may be affected.

Neptune may place transactions on behalf of other accounts that are contrary to investment decisions made on behalf of another account, or make decisions that are similar to those made for another account, both of which have the potential to influence the price paid, received or the current value.

Neptune has adopted robust policies and procedures that it believes address the conflicts associated with managing multiple accounts for multiple clients.

### **Soft Commission**

Neptune may from time to time, enter into Soft Commission Agreements with Brokers in relation to the services it provides to its Customers. In such instances, the Soft Commission Agreement will comply with Neptune's policy on the use of such agreements and ensure that such soft commission amounts will be used to provide allowable (as defined by the FCA Rules) benefits.

Soft commissions allow Neptune to cover some of their expenses through trading commissions. For example, receiving research from a counterparty in exchange for using their brokerage services. This enables Neptune, to produce and enhance our own research. It also enables the investment team to carry out not only independent monitoring of research received from these brokers but also their ability in this regard forms an important part of our due diligence on each broker and the research they produce.

The Soft Commission Agreement between Neptune and the Broker will ensure that where a Broker executes transactions on behalf of Neptune for the benefit of their Customers, then the Broker will be required to provide best execution to Neptune under the terms of the Soft Commission Agreement. Neptune's policy on using soft commission agreements is available on request.

### **Personal Account Dealing ("PAD") and Outside Business Interests**

All directors and employees of Neptune may only undertake personal investment activities that do not breach applicable law, regulation or the Neptune PAD policy. A key feature of the



Neptune Investment Management

policy is to ensure that there are no conflicts of interests between the individuals' PAD and that of Neptune's clients. This includes the requirement for pre-deal approval from the Compliance department for transactions in market traded shares or stocks, debt instruments, warrants or depositary receipts, options or futures and contracts for differences on securities and Neptune funds. Neptune employees are also required to declare certain Outside Business Interests.

### **Remuneration, Commission and Bonus Structures**

Remuneration, commission and bonus structures are designed so as not to create any incentive for a director or employee to act contrary to a client's interests.

### **Inducements and Gifts**

No employee may accept from, or give to, any person any gift or other benefit, in excess of £100 per person, that cannot properly be regarded as justifiable in all circumstances. Employees may not accept gifts from, or provide gifts to, an individual or firm with whom they conduct, or intend to conduct, business on behalf of Neptune unless it can be demonstrated that no conflict of interest is created by doing so.

Entertainment provided by an employee must fall within the Gifts Policy of Neptune and should not create any conflict of interest. This rule applies even if the direct recipient of the gift or benefit is the spouse or a child of the employee. The provision or acceptance of gifts and entertainment should be consistent and proportionate with the corporate relationship.

Neptune's Gift Policy has been established to ensure that gifts and entertainment given and received comply with this policy. This includes the requirement for gifts and entertainment to be recorded on the Gifts Register.

### **Reporting and Record Keeping**

Conflicts of interest situations or potential conflicts situations should be reported immediately by email to the Neptune Compliance Officer at the address below.

Records of the kinds of service or activity carried out by, or on behalf of, Neptune in which a conflict of interest leading to a material risk of damage to the interest to one or more clients has arisen, or may arise. This record is regularly updated and kept centrally for a minimum of five years.

There may be circumstances where the arrangements that Neptune has in place with respect to conflicts management are insufficient to entirely mitigate a particular conflict of interest. In those circumstances Neptune may, in the best interests of a client, disclose the potential or actual conflict of interest to the client. In some situations, Neptune may decline to act where a conflict of interest may damage the interests of a client.

**Karen Barker**  
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