

Conflicts of Interest Policy

1. Introduction

This policy has been put in place to ensure that Neptune Investment Management (“Neptune/firm”) meets its obligation 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.

2. Application

Neptune takes all reasonable steps to identify where a conflict of interest may arise between the firm (or any connected person/affiliate to Neptune) and a client; or between two (or more) clients.

For the purposes of this document, a conflict of interest is a conflict which carries a **material risk of damage** to the interests of a client where Neptune (or any connected person/affiliate to Neptune):

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

As an investment firm authorised and regulated by the Financial Conduct Authority (“FCA”), Neptune conducts its business in line with the FCA Handbook, where applicable to Neptune business. As such, Neptune’s conflicts of interest policy is in line with the expectations set out under Principle 8 (Conflicts of interest) of the Principles of Business Sourcebook and SYSC 10 (Conflicts of interest) of the Senior Management Arrangements, Systems and Controls Sourcebook.

Conflicts of interest are a type of conduct risk, therefore, in accordance with the Neptune Enterprise Risk Framework, must be managed so as to ensure that there is no detriment to our clients. 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.

The Compliance Officer maintains a Central Register for Conflicts of Interest which have been identified within the business. The Register is updated at least annually by the relevant departments and reviewed by the Neptune Conflicts of Interest Committee, which has representatives of the key business stakeholders and is chaired by the Head of Compliance or her Deputy.

3. Potential Conflicts

Neptune has identified potential conflicts which could carry a material risk of damage to the interests of a client if not managed correctly. The firm enlists a number of ways to manage all conflicts, outlined in Section 4. The below conflicts are all “managed”, Neptune have not identified any conflicts which cannot be managed effectively by the firm.

3.1 Order Execution

Neptune may purchase securities for one account and not another account, and the performance of securities purchased for other accounts may be affected.

Neptune manages multiple accounts and makes decisions for each account on an individual basis based on the investment objectives, policies, practices and other relevant investment considerations that it believes are applicable. Fund Managers are given full discretion over the allocation of their portfolio(s).

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

3.2 Seeding/Investing in Neptune Funds

Neptune may choose to seed new funds through cash from its own balance sheet. The purpose of seeding a Fund by Neptune is to allow the fund to grow organically without the initial pressures of having to gain investment before the fund is marketable.

Neptune funds may invest in other Neptune funds (within the parameters of FCA rules). In cases where funds have “cross-holdings”, the holding fund pays a reduced investment management fee to reflect this.

3.3 Payment for Research

Neptune takes a mixed approach to the payment of research, under which research costs are apportioned partly to the firm and partly to the funds.

The firm takes a research fee from the Neptune funds in order to remunerate third party research providers for the receipt of eligible research, within the guidelines set out in section 2.3B of the FCA Conduct of Business Handbook.

3.4 Remuneration and Bonus Structures

Remuneration and bonus structures are designed so as not to create an incentive for a director or employee to act contrary to a client’s interests.

3.5 Gifts and Inducements

Gifts or inducements may be given to, or received by a person, which may not be deemed to be justifiable in all circumstances.

No employee may accept from, or give to, any person any gift or other benefit, in excess of £100 per person, unless it can be demonstrated that no conflict of interest is created by doing so. Neptune’s Gift Policy has been established to ensure that gifts and entertainment given and received comply with this policy.

3.6 Dealing Errors

Dealing errors may arise where there has been a detriment to the client as a result.

3.7 Aggregation and Allocation

Orders on the same stock may be executed at slightly different prices or allocated in a detrimental way.

4. Management of Conflicts

Neptune has policies and procedures in place to ensure potential conflicts which have been identified are managed by the firm. Adherence to these are monitored by Compliance and overseen by the Neptune Board. These include, but are not limited to:

4.1 Order Execution

Neptune must deal with client orders sequentially and in accordance with the timing of their reception. Orders executed on behalf of the client are executed in line with the Neptune Order Execution Policy which takes into consideration the key factors in executing the trade and the execution venue.

4.2 Seeding/Investing in Neptune funds

Seeding is reviewed by the Neptune Board on a monthly basis. The Fund Managers of Neptune seeded funds remain completely independent in their investment decisions.

All cross-holdings are reviewed, prior to investment, for suitability by the Chief Investment Officer ("CIO") and reported on monthly to the Neptune Board by the CIO.

4.3 Payment for Research

The payment for research is governed by the Neptune Research Policy. Neptune use budgets to control the amounts spent and monitor regularly the accuracy of the fees charged to the funds. Neptune hold the research fees in a Research Payment Account and only pays for eligible research in arrears, against suitable submitted invoices.

4.4 Remuneration and Bonus Structures

Neptune staff are remunerated in line with the Neptune Remuneration Policy and staff remuneration is set in accordance with the policy by the Remuneration Committee.

4.5 Gifts and Inducements

Neptune employees must not accept or offer anything of value which may be seen to impair their duty to act in the best interests of the client, without prior written approval from Compliance, as set out in the Neptune Gifts Policy. This includes the requirement for gifts and entertainment to be recorded on the Gifts Register.

4.6 Dealing Errors

In all instances where dealing errors occur, Compliance are informed and investigate the root cause of the error and ensure this is fully documented in a Dealing Errors Log. If the error is a result of a Neptune error, any detriment will be compensated to the client from the firm's own account.

4.7 Aggregation and Allocation

All orders are required to be pre-allocated to a client before routing to a broker. Neptune's Aggregation and Allocation Policy ensures that if one or more client orders are suitable to be aggregated, this is carried out in a fair and consistent manner. 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, then on a pro rata basis.

Where there are trades on the same stock for different clients and the circumstances allow the trades to be aggregated, there are certain procedures to follow. If the trades are put on at the same time, the trades are aggregated. If there is already a trade working, the working trade is cancelled and the remaining amount is aggregated with the new trade. This ensures that both clients receive the same price in the period in which they were working in the market together. Orders must be pre-allocated and should match the pre-allocation. Where trades have not fully completed, allocation should match pre-allocation on a pro-rata basis.

4.8 Personal Account Dealing

All employees are subject to the Neptune PA Dealing Policy which includes the requirement to gain pre-trade approval from Compliance for any personal trade in a transferable security or any Neptune Fund.

4.9 Inside Information and Book Building

Neptune have an Inside information and Book Building Policy to ensure that effective Chinese Walls are in place to prevent sensitive information being accessible.

Where Neptune considers a conflict of interest may arise which could not be managed, we may decline to act, or the conflict may be disclosed to enable those affected to make an informed decision.

5 Reporting and Record Keeping

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

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

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