



Conflicts of Interest (Col) Policy Statement

Introduction

The Directors of Hargreave Hale, Management and Staff have a responsibility to comply with the FCA rules and principles.

FCA Principle 8 says “**Conflict of interest: A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.**”

FCA rules say that “**a firm must take all reasonable steps to identify conflicts of interest between:**

- (1) **the firm, including its managers, employees and appointed representatives or tied agents, or any person directly or indirectly linked to them by control, and a client of the firm; or**
- (2) **one client of the firm and another client; that arise or may arise in the course of the firm providing any service”**

It is important firms consider all their clients, especially retail/private clients, when conflicts of interest occur, and that all conflicts are identified, assessed, managed and disclosed.

The Directors fully support this initiative and are committed to ensure that all conflicts between the firm and its clients, and between clients, are managed fairly with no party unfairly disadvantaged. In addition to complying with the FCA requirements the Directors recognise that handling conflicts fairly is a fundamental element of good business practice and is required to assist in maintaining and developing the firm’s business.

The Directors consider that this Policy sets out our high level controls which are appropriate for the size and organisation of the firm, and the nature, scale and complexity of our business. These controls are detailed in various internal documents, most notably our Compliance Manual and Procedures Manuals.

Types of Conflicts

This policy applies to conflicts which arise or may arise, in the course of us providing our services, which may entail material risk of damage to the interests of a client. This may be because either Hargreave Hale, one of our officers or employees, or in some instances one of our associates, contacts or clients:

- May 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 own 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.

Therefore, conflicts of interest may include but are not restricted to the interests between:

- The firm and its clients
- The firm’s employees and its clients
- The firm’s business units and clients
- Two or more different clients
- Third-parties and clients
- New services/products and the firm’s clients
- Strategic change and clients

Higher Conflict Risk Areas

The Board recognise that in the context of the wider financial market, Hargreave Hale does not represent a high risk firm in respect of conflicts because the firm does not undertake activities such as corporate finance, investment research or proprietary trading which usually present higher risk.

The Board has identified that within Hargreave Hale, the following areas which may present a higher risk to clients interests by virtue of actual or perceived conflicts existing. The Board has also implemented appropriate procedures, as summarised below, to manage this conflict:

- **Remuneration Policy and Charging Structure** - Our Account Executives remuneration may be directly or indirectly related to the income generated by the clients whose accounts they look after. We control this by monitoring and supervising their activities which includes reviewing the advice given to clients, the frequency of transactions and portfolio performance.

During the course of our business we may also pay or accept fees or commissions in either monetary or non-monetary form, as a course of carrying out business on your behalf.

- **Unit Trust Management and Product Sales** - When we recommend a unit trust to a client, or invest in a unit trust on their behalf, we may also be acting as an adviser to the trust, in addition to acting for our client. Clients are informed of our dual role, because of the conflicting interests this causes. Where we act as adviser to a unit trust we receive income from the unit trust based on the value of the fund.

Prior to 1 January 2013, where a client bought a 'product' such as unit trust through us we may receive income from the product provider, or unit trust manager, for that sale. The value of the income is usually a percentage of the value of the investment, for unit trusts this is usually in the form of trail commission of up to 1% per annum of the value of the investment which is paid out of the management charge. From 1 January 2013 the firm's policy is to deal in 'clean units', which do not pay trail wherever possible.

We control the sale of products by maintaining an internal recommended list of 'approved' collectives. This list is maintained by senior management and is based on a number of factors including financial performance, but excluding commission rates. When retail clients are advised to buy unit trusts, our Account Executives issue a letter explaining their advice, this letter is usually subject to managerial review.

- **Allocation of New Issues** - when a new investment becomes available, there may be demand which outstrips the available supply causing conflicting interests between clients. We have established a procedure for allocating all new issues to ensure that clients are treated fairly. Because of the sensitivity of information relating to these issues, we do not normally inform clients about these offerings and so they are usually restricted to discretionary clients only.
- **Personal Account Dealing** - our employees may buy, sell or hold the same investments as our clients. We control personal account deals by ensuring that all such deals are identified and where applicable approved by management prior to execution. Part of this approval ensures that the employee has held the investment for a minimum period to deter employees from day trading. Our procedures also include related accounts held by our employee's family members and other connected parties.
- **Investment Bulletin** - from December 2014, the bulletin does not include recommendations on specific companies, therefore there is not potential for employees to have prior knowledge of published recommendations.
- **Agency Cross Trades** - there may be times when we have a client who wants to buy a security and another client who wants to sell the same security. In which case we may effect the transaction between the clients. Such transactions are subject to managerial approval so that neither client is disadvantaged.
- **Use of External Brokers** - in our role of investment adviser to the institutional funds we may instruct external firms to execute trades on our behalf. These firms may also provide us with investment research and other investment ideas. The firm we use for execution is usually determined by the independent dealing function rather than the fund manager and is based on the best price available. We also monitor such transactions to ensure that no favouritism is shown in respect of the firms we deal with to ensure that we are acting in the best interests of our clients, the funds.

Group Status

Although Hargreave Hale is considered as part of the Investec Group, by virtue of Investec's holding of approximately 35% of the share capital, the Directors of Hargreave Hale consider the firm to operate sufficiently independently to be considered as separate from all Investec companies in respect of conflicts affecting clients of Hargreave Hale.

Managing Conflicts

The management of conflicts involves taking all reasonable steps to prevent conflicts from giving rise to a material risk of damage to the interests of our clients, through maintaining and operating effective organisational and administrative arrangements. Where conflicts are identified as having arisen we seek to manage and control them as appropriate to the circumstances. Our approach to managing conflicts includes the following procedures and principles:

- Where possible, client's interests will at all times be protected and preferred to the firm's interests.
- Client's interests where possible will at all times be protected and preferred to third-parties interests.
- Where conflicts between clients arise the firm will attempt to either treat both clients fairly. The firm operates a 'Policy of Independence'. All Account Executives and Dealers, who have a direct contact with clients, should disregard any material interest or conflict of interest when advising or exercising discretion for clients. Clients must be given suitable advice.
- Conflict of Interest issues are disclosed, advised, controlled and guidance given to clients and/or employees in various HH documents including Client Agreements, Staff Manual, Compliance Manual and other policy documents including HH Research Policy and Treating Customers Fairly Policy.
- The firm operates a policy of transparency through disclosure.
- Employees are asked to disclose conflicts as part of the annual attestation process

How the Col Policy is Implemented

The firm has included Col in the terms of reference of the Executive Committee. This committee's role is to ensure conflicts are considered in decisions made at senior management level and annually review the conflicts risk assessment to ensure that risks are identified and appropriate internal controls are in place. This committee is also responsible for ensuring that the following steps are carried out:

- That the key requirements of ensuring Col are identified and that the firm's actual activities are compared to these requirements.
- That any required action identified by the review is considered by Senior Management.
- That the changes made to the firm's activities embed the Col principle throughout the firm.
- That the Executive Committee receives relevant information to allow it to determine if Col is being implemented.
- That all the Col controls and procedures are regularly monitored and reviewed.

This policy will be reviewed annually by the Executive Committee or as necessary where particular issues or developments warrant consideration in this policy..