

# Atlantic Equities LLP (“The Firm”) Conflicts of Interest Policy

## June 2016

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### INTRODUCTION

This document constitutes the Firm’s policy with respect to conflicts of interests (the “Policy”). The Policy aims to identify the circumstances which constitute or may give rise to a conflict of interest and specifies procedures to be followed and measures to be adopted in order to manage such conflicts. Whenever a new conflict is identified by the Firm this policy will be updated.

This Policy applies to all staff. For the purpose of this Policy “staff” includes “relevant persons”<sup>1</sup> as defined by the FCA but will exclude outsourcers operating pursuant to outsource arrangements which address conflicts of interest arising, including personal account dealing. All staff will be supplied with a copy of this Policy and will be required to adhere to its standards.

### THE BASIC OBLIGATION

The Firm must act honestly, fairly and professionally and in accordance with the best interests of its clients at all times. Specifically, it must take “all reasonable steps” to identify and, wherever possible, prevent by management any potential or actual conflicts of interest between:

1. the Firm and its clients; and
2. between its clients.

In taking all “reasonable steps” the Firm will consider the level of risk associated with a particular conflict, the nature, scale and complexity of the Firm’s business, the nature and range of products that it offers and the nature of its client base.

Where the Firm is unable to manage any conflict of interest such that it has reasonable confidence that risks of damage to the interests of a client will be prevented, then the Firm will disclose the general nature and sources of such conflict of interest to the client before undertaking business for the client.

### NATURE OF THE FIRM’S BUSINESS, PRODUCTS AND CLIENT BASE

The Firm offers independent investment research and sales and trading in US and Canadian listed equities for professional clients or eligible counterparties. The Firm does not deal on its own account, nor does it provide investment management services or hold client assets.

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<sup>1</sup> Relevant person (in summary) is defined as any of the following (a) a director, partner or equivalent, manager, employee or appointed representative of the Firm, and (b) any other natural person, including persons operating under an outsourcing arrangement, whose services are placed at the disposal and under the control of the Firm and who is involved in the provision by the firm of regulated activities.

## **IDENTIFICATION OF CONFLICTS**

In order to identify the types of conflict of interest that arise, or may arise, in the course of provision by the Firm of its services, and to identify those conflict of interest which may entail a material risk of damage to the interests of a client, the Firm has taken into account whether the Firm or a relevant person, or a person directly or indirectly linked by control to the Firm:

- is likely to make a financial gain, or avoid a loss, at the expense of a client;
- has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of one client or group of clients over another;
- carries on the same business as a client;
- receives 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.

If at any time a conflict is identified that has not been included in this Policy, or a material risk of damage to a client has been identified, the Firm's Compliance Officer should be contacted.

## **MANAGEMENT OF CONFLICTS OF INTEREST**

Senior management is responsible for ensuring that the Firm identifies and manages its conflicts of interest. In managing the Firm's conflicts of interest, senior management will:

1. Ensure that all staff are aware of the critical importance of the Policy in carrying out the Firm's business, and the need to report any perceived conflict of interest promptly;
2. Review any actual or potential conflict of interest as soon as it is identified and identify appropriate steps to manage the conflict as necessary; these steps shall have the aim of preventing the risks of damage to the interests of a client;
3. Communicate to all relevant staff the procedures to be followed in order to manage the conflict of interest; and
4. Document the conflict of interest and the measures so undertaken in accordance with this Policy.

## **PROCEDURES WHERE CONFLICT MANAGEMENT DOES NOT REMOVE THE RISK OF DAMAGE TO A CLIENT'S INTERESTS**

If the Firm considers that either (i) it cannot make appropriate arrangements, or (ii) that its arrangements to manage a conflict of interest are not sufficient, to ensure that material risk of damage to the interests of a client will be prevented, then the Firm will disclose the general nature and sources of the relevant conflict of interest to the client before undertaking further business for the client. Such disclosure will be in writing and will include sufficient detail to enable the client to take an informed decision with respect to the service in the context of which the conflict of interest arises. Any disclosure, like all other communications to the client, will be fair, clear and not misleading, irrespective of the categorisation of the client.

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In the event that such a conflict is identified, the Compliance Officer must be informed immediately so that disclosure and any other appropriate steps, including whether it is appropriate to decline to undertake the business, are properly considered by senior management.

**UPDATING AND REVIEW OF THIS POLICY**

This Policy should be updated as and when a new service or activity is undertaken by the Firm, or new conflicts are identified, or new procedures to manage the conflicts are put in place. Ongoing relevance of and compliance with this Policy will be reviewed on a six monthly basis, or as new kinds of service or activity are undertaken by the Firm, as part of the Firm's compliance monitoring programme and be reported to senior management. The Compliance Officer is responsible for ensuring that required disclosures and record keeping requirements are complied with.

**RECORD RETENTION**

This Policy, and any subsequent updates to it, must be maintained for a period of 5 years.

The Firm's Conflicts of Interest are identified on the attached Schedule.

## **SCHEDULE OF CONFLICTS OF INTEREST AND PROCEDURES**

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The following conflicts of interest have been identified by the Firm:

1. General Personal Conflicts
2. Independence of Investment Research
3. Personal Account Dealing
4. Inside and Proprietary Information
5. Inducements
6. Outside Affiliations
7. Staff remuneration
8. Selection of Business Suppliers (and Outsourcers)
9. Corporate Access
10. Cross Transactions
11. Trade errors

In respect of these conflicts, the Firm maintains and operates the following procedures with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to material risk of damage to the interests of the Firm's clients.

### General Personal Conflicts: Policy of Independence

The Firm operates a "Policy of Independence" which requires its clients to be treated fairly in instances where the Firm or an employee has a material interest or a conflict in relation to a potential transaction. In such cases, the interest or conflict must be disregarded when advising customers, exercising discretion for them or dealing on their behalf.

A material interest can arise, for example, where a firm or an employee has a proprietary position in an investment. A conflict of interest can arise where a firm, an employee or some other connected party has a relationship with another person or entity that potentially conflicts with the duty to the client. Such a relationship might include one with an issuer, another broker or counterparty, or another client. In such cases, any investment advice given to a client, or trading discretion exercised, must be formulated with regard to the client's interests and not those of the Firm or any connected party or employee.

Staff are also reminded that they must prevent their personal interests from conflicting or appearing to conflict with the ethical principles and practices of the Firm in their activities with clients, the public, or other staff.

In addition, staff are reminded that the Firm is required to manage a conflict of interest by either avoiding any conflict of interest arising, or where conflicts arise, ensuring fair treatment to all clients by disclosure, internal rules of confidentiality, declining to act, or otherwise. The Firm should not unfairly place its interests above those of its clients and, where a properly informed client would reasonably expect that the Firm would place his/her interests above the Firm's, the Firm should meet that expectation.

### Independence of Investment Research

The Firm's investment research is intended to be an objective and independent view of the company covered. If at any time, the Firm is unable to present investment research as objective and independent, this will be disclosed.

All investment research published by the Firm will be produced in accordance with this policy which is designed to ensure that investment research is not influenced by either the company to which it relates or by the Firm's or employees' own interests.

Draft investment research reports will only be sent to the company to whom the research relates prior to distribution if the Firm considers that this is appropriate in order to verify the factual accuracy of the investment research or to satisfy our regulatory obligations. Where this occurs the recommendation and target price will be stripped out of the draft report remitted to the issuer. No inducements from the company the subject of the research may be accepted nor may favourable research be promised.

All investment research is reviewed internally prior to publication and recommendation changes and initiations must be approved by a dedicated Research Committee. Analysts are supervised and managed by the Head of Research, who reports to the Chief Executive. Decisions on the content and timing of research are taken by the analysts themselves in conjunction with the Head of Research and the Research Committee. The Firm will take into account the needs of its clients in deciding what to publish and when. All staff are restricted from giving advance notice to the Firm's clients of the content or timing of the issue of research.

Research is published using email, surface mail and permissioned online services such as Bloomberg and Reuters. It is intended that research is distributed to all interested clients at the same time subject to any administrative restrictions arising from the preferred distribution method of the client.

Analysts are involved in the following activities:-

- Research coverage and the production of research reports
- Provision of advisory services to investment clients.
- Provision of services and information on an ongoing basis to internal agency dealing and sales staff, for example in daily meetings,
- Developing research and other materials which are used by the sales staff to help win new business or retain existing business,
- Hosting European investor roadshows meetings or telephone calls with companies of interest to our client base. In this situation it must be clear that the analyst is not representing the company but is acting in the interests of the clients. Where this is not clear from the circumstances themselves, the analyst is required to disclose this to the client/clients. At any time where the analyst is concerned that his objectivity and independence is in doubt the Compliance Officer should be consulted.

The FCA distinguishes between "independent" research (an impartial assessment) and non-independent marketing communication (not an impartial assessment). Independent research can only be produced by persons who do not have responsibilities that may conflict with the interests of clients who may rely on that piece of research. Conversely, a non-independent marketing communication is categorized as such because it has been prepared by persons who may be exposed to such conflicts of

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interest. Generally, all research produced by the Firm is will be independent. However, where the research is produced by one of the Firm's Sales staff it is categorized as a non-independent marketing communication (because Sales staff are incentivized by client trading activity) and labelled accordingly. Nevertheless, such non-independent marketing communications are subject to various regulatory requirements which are designed to ensure that it is communicated to clients in a way which is clear, fair and not misleading.

Personal Account Dealing

The Firm has implemented personal account dealing policies with which staff, and related persons under their control, must comply. At the commencement of their functions, staff are required to commit to comply with these policies. In summary this is designed to prevent, in the absence of exceptional circumstances, inappropriate:

- dealing in financial instruments where it is known that a research recommendation is to be published;
- dealing in advance of a client order;
- dealing before a client has had a opportunity to react to a recommendation. Staff must first consider whether or not the investment recommendation they have made is appropriate for any of their clients.

All personal trades in US and Canadian listed securities must be approved in advance by the Compliance Officer, the Chief Operating Officer or, in their absence, a member of the Management Committee. All transactions in financial instruments by staff and relevant persons must be reported to the Compliance Officer promptly where the transactions are monitored.

Specific restrictions on personal account dealing are placed on analysts and other staff as described below:

Analysts may not invest personally in securities on which they have published recommendations, except to sell holdings already held, subject to prior approval.

Staff may not knowingly deal ahead of the publication of any research recommendation.

Following the publication of investment research, or other personal recommendations known to staff, staff cannot deal in the security the subject of the research, or the recommendation, until the issue date and a day after the date of publication or issue, as appropriate.

Non-analysts involved in the production of the investment research may not deal contrary to the current recommendation except in exceptional circumstances and only with the prior approval of the Compliance Officer.

In addition US and Canadian listed securities purchased in personal accounts must be held for at least 1 month prior to any disposal.

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### Inside and Proprietary Information

Staff, who, in pursuit of the Firm's business activities, possess inside or proprietary information must preserve its confidentiality and disclose it only to other staff who have a valid business reason for receiving it. Staff who believe they have received inside information from any source must immediately contact the Compliance Officer. Staff or the Firm cannot use or further disclose the information where it has been received, other than in pursuit of the Firm's business activities and in accordance with the Firm's policies and procedures.

### Inducements

The Firm must act honestly, fairly and professionally in accordance with the best interests of its clients at all times.

The Firm operates a Gifts and Inducements policy applicable to benefits or inducements to staff which might be seen as conflicting with their duties to the Firm or to any of the Firm's clients. Benefits and inducements means credit, any other financial advantage including any opportunity to make, receive or increase any gain or revenue or to avoid or reduce any loss or expense, money or other property, or gift and any service, facility, system or information.

The procedures adopted require that any gift or inducement offered or received that exceeds a nominal value is declared to the Compliance Officer. The Compliance Officer must keep a written record of all gifts offered, and declined, or received including a description of the gift and its estimated value, whether it has been approved, if appropriate, and the date of approval. Bi-annually staff are requested to declare that they have disclosed all gifts offered, and declined, or received.

### Outside affiliations

Staff can engage in and maintain outside affiliations only in conformity with the requirements and procedures detailed in the Firm's Compliance Manual. No employee may serve as an officer, director, general partner, trustee, owner, proprietor, member of a limited liability company or partnership, consultant or agent for any business operation other than the Firm or its affiliates without prior approval from the Compliance Officer. In providing this approval the Compliance Officer will take into account any actual or potential conflict. In the event that the conflict cannot adequately be managed, the staff member concerned may be requested to resign from the conflicting outside affiliation.

Upon joining the Firm, and annually thereafter, all staff are required to complete and sign a questionnaire disclosing all reportable outside affiliations. Staff have an ongoing obligation to report and obtain approval for any new outside affiliation and any change in status with respect to a previously approved affiliation.

### Staff remuneration

Staff remuneration and bonus arrangements are carefully considered by the Remuneration Committee to ensure that conflicts do not inadvertently arise through targets that inappropriately incentivise staff to behave in a manner that disadvantages the interests of clients in favour of the Firm or other clients. Bonuses are calculated according to the general performance of the Firm and the individuals'

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performance and are not linked directly to the performance of a particular client or the success of a particular security covered.

### Selection of Business Suppliers (and Outsourcers)

The selection of service providers, agents, third party suppliers, distributors and equity partners is made on an arm's length basis. In the event of any personal relationship between the Firm and the third party, or a person connected to them, the Firm will take this into account and consider potential conflicts or the appearance of conflicts in making its selection. As far as possible, the connected party should refrain from being involved in the actual decision making process.

The Firm prevents conflicts arising regarding the selection of suppliers by refusing to accept or provide fees, commissions and non-monetary benefits which do not directly enhance the service offered.

### Corporate Access

The Firm organises European roadshows and investor meetings for US companies where senior management are introduced to the Firm's clients who are either current or prospective investors. This is described as Corporate Access. Corporate Access does not refer to genuine, properly priced research services provided by the Firm alongside providing access to company management.

FCA regulated investment management firms are not permitted to pay directly or indirectly for Corporate Access using client commissions, although they are permitted to use client commission to pay for "research" as defined by the FCA.

As a result, a conflict of interest arises between UK investment management firms' need to comply with FCA requirements regarding Corporate Access and the Firm's interest in being rewarded for its provision of its services. This conflict could lead to the investment management client either not utilising the Corporate Access service or indirectly paying for Corporate Access services by re-designating or re-categorising the expense as "research".

In response to this regulatory restriction and reacting to clients' requests, the Firm provides Corporate Access services to its UK investment management clients:

- for a pre-determined price specified by the client, and payable by them, which may be lower than the actual cost of providing the service; or
- for no specific charge or no increase to the standard commission rates; and
- by making a clear distinction between the provision of its permissible "research" services and Corporate Access.

Whilst the Firm has taken steps to address this inherent conflict of interest in the services it provides, the onus on resolving the conflict rests primarily with the UK investment management firm as they ultimately determine how the Firm is paid for its services.

All requests received for confirmation that the Firm levies no direct or indirect charges for Corporate Access within commission charged to Clients are forwarded to the Compliance Officer for his response.

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Cross transactions

A cross transaction may only be executed where the trade does not prejudice any of the clients involved, and is not being conducted in violation with any applicable regulatory requirement. The execution price of a cross transaction must be fair, normally mid market or at the official closing price.

Trade errors

The Firm maintains policies in respect of trading errors which require that, to the extent that trading errors occur, they are corrected, and documented, as soon as practicable. The Firm is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Firm.

Where trade errors arise they would be subject to examination by the Compliance Officer who will determine the appropriate course of action.