

MiFID II Client Facing Document

City Financial Investment Company Limited

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City Financial Investment Company (“City Financial” or “the Firm”) is an Alternative Investment Fund Manager (AIFM) and UCITS Manager which carries out the following activities under the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”);

- managing investments;
- advising on investments;
- arranging deals in investments;
- dealing as agent; and,
- arranging safeguarding and administration.

The key MiFID II elements which affect City Financial relate to organisational requirements and investor protection. The FCA has also gold-plated certain elements of MiFID II for AIFMs and UCITS managers, which means that these elements also apply to City Financial. These relate to best execution, inducements and recording of communications. MiFIR does not apply to City Financial and therefore MiFID II trade and transaction reporting requirements do not apply.

City Financial will be implementing a centralised Research Payment Account (RPA)

The Investment Manager may use full service execution brokers when implementing investment decisions on behalf of its Funds. Such brokers may, in addition to routine order execution, provide their own research to the Investment Manager and the Investment Manager may also obtain research from a third-party research provider (“third party research”).

The costs of third party research may be allocated by the Investment Manager on an equitable basis among its funds, or groups of funds, (each such allocation a “research charge”).

Under current market practice, the costs of such research are included in the transaction costs charged by brokers when purchases and sales of investments are undertaken by the funds. However, under changes introduced by amendments to the EU Markets in Financial Instruments Directive (“MiFID II”), with effect from 3 January 2018, research costs must be separated from transaction costs. A maximum budget for research spend will be set on an annual basis.

Any such cost allocations will be based on this written Framework Research Policy and agreed by the Directors, along with an assessment of the potential value of third party research to the Investment Manager and such clients. These charges will also be evaluated quarterly, in arrears, at the Broker Review Committee, which is a sub-set of the Best Execution Committee. Research charges will be paid for by a separate Research Payment Account (RPA) controlled by City Financial.

City Financial will be responsible for settling all broker invoices and third-party invoices for research. The research payment account will then recharge the funds quarterly in arrears at 80% of the cost, which will be defined by individual fund consumption of research. In order to accurately determine correct research costs for each fund, the Firm will use third party technology to enable research consumption tracking, and research budget forecasting. In addition, Portfolio Managers will be able to analyse and rank the research that they receive, in line with the new MiFID II requirements. The cost of this technology vendor will also be split pro-rata across all funds.

The purchase of third party research will be subject to appropriate controls and oversight by both the Investment Manager and City Financial Investment Company, designed to ensure that the research budget is managed and used in the interests of its clients and will include regularly assessing the quality of the research purchased.

Where the Investment Manager operates such an arrangement it will provide the funds and the Firm with information on the amount budgeted for initial research, the estimated annual research charge to be allocated to the fund, the frequency with which it will be deducted and any subsequent increases in the budget. On an annual basis it will also provide information on the actual costs incurred for such third-party research. The Investment Manager will also provide the fund and the Firm with disclosure in relation to such arrangements upon request in accordance with the FCA Rules.

COMMUNICATION WITH CLIENTS

1 AGREEING THE RESEARCH BUDGET

City Financial's funds have their own governing bodies which are independent from the Firm and each governing body is required to agree a research budget. This should include agreement of the amount budgeted and the frequency and method by which the research charge will be deducted from the client's resources.

For segregated managed accounts, the research budget must also be agreed in advance by the client as per COBS 2.3B.8.

2 PROVISION OF RESEARCH POLICY TO CLIENTS

For segregated managed accounts, it is a requirement under COBS 2.3B.12R to provide a copy of the Firm's Research Policy to the client. This document is the Firm's Research Policy and should therefore be provided to segregated managed account clients.

In the case of funds, it is the Firm's policy that this Research Policy will be provided to the fund board. It is not necessary to provide the Research Policy to the underlying investors in the fund, although the Firm may choose to do so on a case-by-case basis.

There is also a requirement to make a more limited set of summary disclosures in relation to the Firm's Research Policy to fund investors in some situations as set out below.

3 SUMMARY DISCLOSURES FOR FUND INVESTORS

For authorised funds, such as UCITS and authorised AIF, there is a similar but more limited requirement to publish a subset of information in the Firm's Research Policy for investors ("the summary disclosures"), and this must be contained in the fund prospectus for each fund. The required information is set out in COBS 18 Annex 1 4.8R, and this can be gathered from the appropriate places in this Research Policy and modified as appropriate for publication.

For reference, the summary disclosures set out in COBS 18 Annex 1 4.8R are as follows:

- How research purchased through the RPA may benefit the fund taking into account its investment objectives, policy and strategy;
- The procedures in place for regularly assessing the quality of research purchased through the RPA based on the robust quality criteria established by the Firm and its ability to contribute to better investment performance for the fund;
- The approach the Firm will take in fairly allocating the costs of research among the funds it manages;
- The manner and frequency at which charges will be deducted from the assets of the fund to transfer to the RPA (see below);
- Where up-to-date information related to the research budget and estimated research expenditure will be published and available to fund investments (see below).

4 PUBLISHING THE RESEARCH BUDGET

For funds, the Firm must publish (i) the total budgeted amount for research, and (ii) the estimated research charge for each fund in accordance with COBS 18 Annex 1 4.11R. The figure provided under (ii) should be displayed as a single figure which is then given as both as a percentage of Assets Under Management (or basis points) and in addition as a total cash figure for the fund. If the research budget is not set on an annual basis, then this information should also be provided on an annualised basis to allow for comparison. This information must be made available to investors and to potential investors in each fund, and the research budget must not be increased unless the Firm has provided clear information to investors and potential investors in good time before the change is to take effect.

This information is published in the fund offering documents, in marketing materials relating to the fund, and on the Firm's website. This information is kept substantially up-to-date at all times.

The Firm's policy is to provide sufficient notice to investors when changes are made to the research budget before these come into effect in order to satisfy any regulatory notification requirements and protect investors. These changes will be notified to existing investors through appropriate communication at that point in time.

For segregated managed accounts, there is no requirement to publish the total budgeted amount and estimated research charge. However, similar information must be provided to the client before the provision of the investment service in accordance with COBS 2.3B.5R, and in addition the budget must be agreed by the client under COBS 2.3B.8R as noted above.

5 FREQUENCY OF DEDUCTIONS

The frequency at which deductions from the client's assets will be made and contributed to the RPA must be agreed in advance with segregated managed account clients.

This information must also be included in the fund prospectus for UCITS and authorised AIFs.

The Firm has decided to fund the RPA through a direct charge to each underlying fund and account. Brokers will invoice a pre-agreed amount quarterly for research. City Financial pays brokers the invoiced amount via the RPA. Relevant funds and accounts are then invoiced by City Financial for reimbursement. Deductions will be made on a quarterly basis.

6 DISCLOSURE OF INCURRED RESEARCH COSTS

Where an RPA is used, the Firm must disclose to investors on an annual basis the total costs the portfolio has incurred for third-party research. This amount may differ from the agreed research budget although it should not exceed it.

For segregated managed accounts, this information must be provided directly to the client on an annual basis in accordance with COBS 2.3B.5(2).

This information must also be contained in the annual long report of City Financial's UCITS and AIFs, as is required for authorised funds.

7 ADDITIONAL DISCLOSURES AT THE REQUEST OF THE INVESTOR

The Firm is also required to disclose to investors on request a more detailed breakdown of costs incurred through the RPA, including:

- A list of the research providers paid from the RPA;
- The total amount each provider was paid;
- A list of the relevant benefits and services received by the Firm;
- An account of how the total amount paid compared to the research budget set, noting any excess or shortfall, rebate or carry over.

The Firm must also be able to provide this information on request to the FCA for all RPAs operated.

RISK DISCLOSURE STATEMENT

RISK OF LOSS

Although City Financial endeavours to minimize risk, investing in securities involves a risk of loss that investors should be prepared to bear.

MiFID II requires City Financial to provide information in a comprehensible form in such a manner that clients or potential clients are reasonably able to understand the nature and risks of the MiFID investment service provided.

Full disclosure and explanation of the risks involved in investing are disclosed in supplementary client risk information and in City Financial's ADV brochure.

Investors in the funds should be aware of the following types of risk considered by City Financial:

- Market Risk
- Valuation Risk
- Counterparty/Credit Risk
- Conflicts of Interest
- Documentation Risk
- Key Man Risk
- Basis Risk
- Liquidity Risk
- Cash Flow Risk
- Regulatory Risk
- Reputational Risk

CONFLICTS OF INTEREST

City Financial must take all reasonable steps to identify conflicts of interest. City Financial acknowledges that its clients' interests will always take priority and will continue to be actively monitored during and after the launch of any new product or service.

Under MiFID II the managing of conflicts of interest by means of disclosure will become a measure of last resort.

MANAGING AND DISCLOSING CONFLICTS OF INTEREST

City Financial will manage its conflicts of interest in line with MiFID II rules and its full Conflicts of Interest Policy, which is contained in its Compliance Manual.

Where arrangements made by City Financial 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, City Financial, before undertaking business for the fund or on behalf of a client:

- will clearly disclose, in a durable medium, the general nature and source of the conflict of interest to the client before undertaking business for the client; and
- will provide sufficient detail to enable that particular client to make an informed decision in relation to the service offered.

SUMMARY OF BEST EXECUTION POLICY

This document is summary information of City Financial's approach in ensuring that the best outcome is obtained for its clients on a consistent basis when executing client orders and transmitting orders to third parties for execution, as documented in the Firm's Best Execution Policy.

This summary information has been updated to take into account new rules arising as a result of the implementation of the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") that came into force on 3 January 2018.

The Best Execution Policy applies only to the execution or transmission of client orders in Financial Instruments, as defined in MiFID II, except where noted otherwise. It also reflects the fact that the Firm deals with both professional and retail clients.

1 THE BEST EXECUTION OBLIGATION

FCA rules place a high-level obligation on firms to ensure that client orders are executed on terms that are most favourable to that client, which is referred to as the 'best execution obligation'.

MiFID II has further enhanced this standard, by requiring that firms take 'all sufficient steps' to obtain the best possible result for its clients on a consistent basis when executing orders.

2 APPLICATION OF FCA AND EU REGULATIONS

For investment firms authorised under MiFID, the best execution rules relating to direct execution are contained in Article 27 of MiFID II and the corresponding level 2 provisions. Separate requirements apply when orders are transmitted to a broker ("indirect execution") and these are set out primarily in Article 65 of the MiFID II Delegated Org Regulation. These requirements have been implemented by the FCA in the UK in COBS 11.2A.

For Full Scope AIFMs, the best execution rules are found within Articles 27 and 28 of the Level 2 AIFMRs. These are directly applicable to UK firms without needing to be transposed into UK rules or regulations. The FCA has, however, created additional best execution rules for Full Scope AIFMs that apply when acting as AIFM and these can be found in COBS 11.2. It should also be noted that due to cross-references within the AIFMD, the MiFID II best execution rules will apply where an AIFM conducts ancillary investment activities other than the management of an AIF. Since the Firm is a CPMI and also conducts ancillary investment activities (e.g. managed accounts), the MiFID II best execution requirements referred to above apply when undertaking these ancillary investment activities and the Firm must, in regard to these transactions only, apply the provisions of COBS 11.2A.

It should be noted that where additional ancillary investment activities (e.g. segregated managed accounts or delegated portfolio management) are conducted by the Firm these will be subject to the full MiFID II rules referred to above.

3 DIRECT AND INDIRECT EXECUTION

The nature of the best execution obligations differs depending on whether the Firm is executing orders directly, or whether these orders are being transmitted to third parties (i.e. brokers) for execution.

Direct execution includes situations where the Firm interacts directly with other counterparties to the trade, without going through a broker, and in addition covers situations where the Firm uses its own membership of a Trading Venue, or otherwise places an order directly with an Execution Venue in order to execute the trade.

Indirect execution refers to the practice of transmitting orders to brokers, for which the broker is then responsible for execution.

The Firm primarily transmits orders to brokers, but in some situations, will also directly execute orders.

4 CLASSES OF FINANCIAL INSTRUMENT

Firms are required to tailor their execution policy to provide sufficient information on how orders are executed in relation to each class of financial instrument traded by the Firm. It is recognised that the process for executing liquid equity instruments will be very different to the process for executing OTC derivatives, for example, and a single undifferentiated policy is therefore likely to be overly generic.

The Firm currently actively trades in the below classes of financial instruments:

- Equities
- Equity derivatives
- Bonds
- Emission allowances
- Exchange traded products
- Interest rate derivatives
- Credit derivatives
- Currency derivatives
- Warrants and certificate derivatives
- Commodity derivatives and emission allowances derivatives
- Contracts for difference

5 EXECUTION FACTORS

The Firm is obliged to seek the best possible result for its client in relation to each trade. What constitutes the best possible result however may vary depending on the situation, and this may not always equate to obtaining the best price or the lowest cost. The Firm is therefore required to consider and assess the relative importance of the relevant 'execution factors' in respect of each class of financial instrument in which it trades. The Execution Factors defined in FCA rules are as follows:

- Price
- Costs
- Speed
- Likelihood of execution and settlement
- Size
- Nature of the order and any other relevant considerations

Generally, the prioritisation of the execution factors should be determined once, for each relevant class of financial instruments, and then this prioritisation should be applied to all relevant trading activity by the Firm. It may be desirable however, to apply different default prioritisations of the execution factors to specific instruments or trading strategies to be applied in specific situations. In addition, there may be situations where this prioritisation needs to be adjusted, for example due to exceptional circumstances such as volatile markets, credit events and geo-political events.

6 EXECUTION CRITERIA

FCA rules also set out the 'execution criteria' that the Firm must take into account when executing a trade. These are the characteristics of each trade order which need to be taken into account before applying the Firm's execution process to achieve the best possible result for the client, where the 'best result' is defined by reference to the Firm's prioritisation of the execution factors as set out above. The execution criteria will vary potentially from client to client and from trade to trade and will therefore need to be assessed on a continual basis. These are defined as set out below:

- The characteristic of the client
- The characteristic of the client order
- The characteristics of the financial instrument
- The characteristics of the execution venues

7 RELYING ON A SINGLE VENUE

It is permitted to rely on a single venue or broker to execute client orders. However, to demonstrate that best execution is being provided in this situation, firms must be able to show that its reliance on this single venue or broker provides the best possible result for its clients on a consistent basis, and that the results are at least as good as could be obtained from relying on other entities.

The Firm's policy is to not rely on a single execution venue or broker for executing any class of financial instrument traded. The Firm will ensure that its list of approved brokers and execution venues contains at least two possible choices for each class of instrument traded wherever possible.

The only exception to this will be where there is only a single venue or broker available in the market that is able to execute the class of instrument in question. In this situation, the Firm will rely on this entity for execution but will monitor the market for the emergence of other entities that can provide a similar function.

THE EXECUTION PROCESS

PRIORITISATION OF THE EXECUTION FACTORS

In terms of the relative importance attached to the execution factors, the Firm has a general view and process which it adapts based on the particular characteristics (i.e. the execution criteria) of each trade.

In relation to professional clients, the first execution factor to consider is the probability of execution. The priority here will be to assess which brokers and execution venues can execute the order on the required terms. In normal market conditions however this is a relatively straightforward exercise that will produce a range of equally ranked execution options for further consideration under the remaining execution factors.

Following this, and assuming a range of execution options exist, the highest priority factor is to obtain the best result for the client in terms of the total consideration for the trade, defined as the total price obtained minus any costs or fees. This will either be the highest total price or the lowest total price (net of costs and fees) depending on the direction of the trade. In most situations, this will be determined predominantly by the price achieved, although where the price offered by two or more brokers or execution venues are identical or within a narrow range, or cannot be reliably determined in advance, then the one with the lowest overall cost of execution will be chosen. This analysis will include the implicit costs of the trade, such as slippage and market impact.

Where the Firm considers that it can take steps to reduce the costs of execution, and therefore improve the total consideration for the trade as defined above, then it will do so. Examples of this would include reducing the implicit costs of execution by reducing the market impact, which might be achieved by splitting the trade between multiple brokers or execution venues, trading over a longer time or using algorithms.

The other execution factors do not typically determine the way a trade is executed, although on occasion where there are specific relevant circumstances these factors may be escalated in prioritisation.

The firm takes into consideration the following factors affecting the choice of method of execution:

- size of the order;
- extent of execution venues available;
- volatility of the relevant market;
- availability of trading opportunities;
- market crises;
- niche or specialist markets;
- whether a market is hard to access;
- whether a transaction is linked to other transaction;
- the availability of a cross-transaction;
- counterparty exposure;
- regulatory compliance concerns.

GOVERNANCE AND SENIOR MANAGEMENT OVERSIGHT

1 THE BEST EXECUTION COMMITTEE

Senior management oversight of the Best Execution Policy, the underlying trading arrangements in place to provide best execution to its clients, and the first and second line monitoring undertaken to demonstrate best execution is provided by the Best Execution Committee.

The Best Execution Committee is responsible for ensuring the Firm's internal policies and procedures deliver best execution, annually reviewing and if necessary updating its Best Execution Policy, monitoring the effectiveness of brokers and execution venues and seeking to identify trends in execution quality or potential deficiencies in processes to deliver continual improvement in the execution quality obtained for the Firm's clients.

This Committee meets quarterly and is minuted, with actions arising being documented. All changes are fed back into and discussed as necessary with the front office and compliance team (who participate in meetings) to ensure understanding of the new requirements and for delivery of actions on an ongoing basis.

2 ONGOING MONITORING OF EXECUTION QUALITY (FIRST LINE)

The ongoing monitoring of execution quality and 'first line' controls are undertaken by City Financial's trading desk and individual traders/portfolio managers with independent scrutiny carried out by the compliance team as the 'second line of defence'. The first and second lines of defence are therefore primarily responsible for ex ante and ex post monitoring of best execution on an ongoing basis, with oversight of this monitoring undertaken by senior management by way of the Investment Oversight Committee.

End of day reviews are undertaken with a view to ensuring that the quality of execution has met the required standards, and this aims to identify any potential outliers or deficiencies in trade execution so that remedial action can be taken.

3 PERIODIC MONITORING OF EXECUTION QUALITY (SECOND LINE)

Independent monitoring of the quality of execution obtained is undertaken by compliance as the 'second line of defence'. Testing is undertaken on a sample basis exceptions basis, using quantitative and qualitative techniques. The monitoring considers the entirety of the Firm's trading operations where best execution is relevant, and considers how individual trades were carried out using a combination of internal and external data. Analysis and/or Management Information (MI) is subsequently provided to the Best Execution Committee for their review and comment.

CLIENT COMMUNICATIONS AND DISCLOSURES

1 DISCLOSURE OF APPROPRIATE INFORMATION TO CLIENTS

It is an FCA requirement that Firms provide clients with 'appropriate information' on their Order Execution Policy ("OEP"), which explains how orders will be executed clearly, in sufficient detail and in a way that can be easily understood by clients. The Firm's policy is to meet the disclosure requirements by providing a copy of the Best Execution Policy to its clients.

2 DISCLOSURE TOP 5 EXECUTION VENUES AND BROKERS (RTS 28)

Where a firm executes trades for clients, it is required under Regulatory Technical Standard (RTS) 28 to make an annual disclosure of the top five execution venues where orders were executed, broken down for each class of financial instrument traded. Where firms also execute trades indirectly by transmitting orders to brokers, an equivalent disclosure of the top five brokers is also required under COBS 11.2A.34 EU (6). Where both direct and indirect execution takes place, these reports must be made separately.

Note that since the Firm is a Full Scope AIFM/UCITS Management Company, the RTS 28 requirements technically only apply in relation to its MiFID business, which includes its segregated managed accounts but excludes its AIFMD and UCITS business

3 DEMONSTRATING BEST EXECUTION TO CLIENTS AND THE FCA

The Firm is obliged by FCA rules to be able to demonstrate to clients, on request, that all trades have been executed in accordance with the Policy. This obligation does not generally extend to the underlying investors in any fund although such information can be provided to them upon request at the Firm's discretion. It does however extend to the fund board, which should be considered the Firm's client for these purposes.

In relation to MiFID business only there is a further new requirement that the Firm must be able to demonstrate to the FCA, upon request, that best execution has been achieved. This requirement goes beyond just demonstration that the execution policy has been adhered to.

The Firm considers that the Policy, along with the detailed monitoring of execution quality undertaken and the reports escalated to and ratified by the Investment Oversight Committee, along with the RTS 28 reports (qualitative and quantitative) published annually, are sufficient to demonstrate the Firm's adherence to the Policy and to demonstrate more widely that the Firm has taken all sufficient steps to provide best execution to its clients and that this has been delivered on a consistent basis.

BOARD DIVERSITY AND RECRUITMENT POLICY

1 INTRODUCTION

Not only is it against the law to treat someone less favourably than someone else because of a personal characteristic, e.g. religion or age or sex, but such treatment can have a detrimental effect to the success of any organisation.

The Firm believes that there is a strong business case for increasing boardroom diversity, which helps to promote good governance and challenge "group think" mentality. Diverse boards also act as a powerful driver for innovation and creativity, and provide a better reflection of a firm's customer base. The Firm also believes an open and transparent recruitment policy is essential in remaining compliant with the relevant equality legislation within the UK and is ultimately fair for all applicants who wish to sit on the governing body of the Firm.

2 PURPOSE

Increased diversity in the composition of management bodies can facilitate independent opinions and critical challenge and therefore the Firm has implemented the following policy to ensure its management structure is sufficiently diverse as regards:

- Age;
- Gender;
- Race;
- Educational and professional background;
- Religion or belief;
- Disability;
- Regional background.

Gender balance is of particular importance to ensure adequate representation of population. While there is no legal requirement to review the governing structure of the Board when considering diversity, the Firm is aware of the recommendations made by the UK Corporate Governance Code and the CBI (Confederation of British Industry). The Firm is also aware of the rules in the Systems and Controls Sourcebook (SYSC) 4.3A.R and the relevant requirements contained in MiFID Art.9 the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) including those only applicable to significant organisations. While some of these rules do not apply to the Firm, the Firm has ensured that its diversity policy follows the spirit of these requirements. Specific requirements (such as setting quota's or ratios for gender diversity) have not been applied as this would not be proportionate for a Firm of City Financial's size and structure. For the avoidance of doubt, this is the Firm's diversity and recruitment policy required by SYSC 4.3A.10R and CRR article 435(2)(b) and (c).

When appointing members of the management body, the Firm will consider whether the candidates have the knowledge, qualifications and skills necessary to safeguard proper and prudent management of the institution. These principles will be exercised and manifested through transparent and open recruitment procedures.

3 POLICY STATEMENT

The Firm recognises that a truly diverse governing structure will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of those within the governing body responsible for the management of the Firm. While these differences will be considered in determining the optimum composition of the Board, all appointments are made on merit against objective criteria, within the context of the skills, background and experience the management team as a whole requires to be effective. The Firm will ensure that it adequately sets out and describes the role and capabilities required for any given appointment to the governing body.

The selection procedure and recruitment process will remain independent in nature, in so far as this is possible given the size and structure of the Firm and in consideration as to who ultimately has the necessary authority to make decisions regarding recruitment into the governing body of the Firm. Adequate minutes will be maintained throughout the process so compliance with this policy can be reviewed.

At least annually the governing body of the Firm will consider the diversity of its governing arrangements within the Firm, and determine whether the make-up of the Board satisfies its diversity and recruitment policy. The Firm will determine if any changes need to take place within the processes and procedures laid down within this policy to ensure its objectives are met.

This Policy will be published on the Firm's website.

GENERAL OUTSOURCING REQUIREMENTS

The rules in SYSC 8 on outsourcing apply to City Financial on the basis that CPMI firms are “common platform firms”. City Financial is a common platform firm by virtue of being a CPMI and operating managed accounts.

The Firm should take reasonable steps to avoid undue additional Operational Risk when relying on a third party for the performance of operational functions which are critical to the performance of regulated/ancillary activities. In accordance with Principle 11, where the service provider performs a process, service, or activity that the Firm would otherwise do itself and this activity is an investment service or is critical to the Regulated Activities of the Firm, the Compliance Officer must notify the FCA that it is relying on a third party for critical operational functions (see the FCA Supervision handbook (“SUP”) 15.3.8(e)). Where relevant services are outsourced, the Firm and its senior management remain fully responsible for discharging all of the Firm’s obligations under the regulatory system.

Relevant outsourcing should not:

- Add operational risk;a
- Jeopardise internal controls;
- Delegate responsibility or alter the client relationship;
- Hinder the FCA compliance monitoring; or
- Prevent continued compliance with the threshold conditions.

Certain functions are not normally considered to be material outsourced functions. These comprise, for example, legal advice, personnel training, billing, security, and standardised services, such as market information services and price feeds, as these are not considered critical to the performance of regulated business.

The Firm must use due skill, care and diligence when entering into, managing or terminating any arrangements for the outsourcing to a service provider of critical operational functions. The Firm must ensure that the service provider (and any Authorised Person) is competent and must put in place a written agreement. This agreement should clearly allocate and set out rights and responsibilities and ensure effective performance against agreed standards, such as Service Level Agreement, regular review and monitoring, escalations and service credits.

In summary, the service provider is required to:

- Have its own appropriate supervision and risk management in place;
- Disclose material developments;
- Co-operate with the FCA or equivalent regulator;
- Allow the Firm, auditors and the FCA or equivalent regulator effective access to data and premises;
- Protect confidential information; and
- Have a joint BCP and regular back up testing.

In summary, the Firm is required to:

- Retain expertise to supervise and manage effectively;
- Take action if problems appear;
- Have the power to terminate the outsourcing agreement without detriment to client service; and
- Have a joint BCP and regular back up testing.

Compliance will monitor all potential outsourced services that do not currently form part of the Regulated Activities of the Firm, to ensure these remain non-material outsourced functions, and escalate any issues to The Board.

GLOSSARY OF TERMS

ADV - A required submission to the Securities and Exchange Commission (SEC) by a professional investment advisor that specifies the investment style, AUM, and key officers of the firm.

AIF - Alternative Investment Fund

BCP - Business Continuity Plan

COBS - Conduct of Business Sourcebook, part of the FCA handbook

CPMI - Collective Portfolio Management Investment, typically when managing AIFs or UCITS

Execution venue/Trading venue - Location on which financial instrument transactions occur. This can be via a third party (broker) or directly via electronic access. Includes MiFID II concepts of Organised Trading Facility (OTF).

MiFIR - Markets in Financial Instruments Regulation; a European law which demands Member States comply with its regulations

Research Policy - Policy to explain CFIC definition of research and how costs will be paid

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