

Conflicts of Interest Policy

City Financial Investment Company Limited

December 2017

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City Financial must take all reasonable steps to identify conflicts of interest.

City Financial acts as investment manager and/or authorised corporate director (as appropriate) of regulated collective investment schemes (UCITS) as well as investment manager of unregulated collective investment schemes such as alternative investment funds. 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.

1 PURPOSE

The purpose of this Conflicts of Interest Policy under Alternative Investment Fund Managers Regulation (AIFMR) Section 2, Articles 30 to 37 and SYSC 10.1.11R is:

- to identify, by reference to the specific services and activities carried out by (or on behalf of) the Company and its associated activities, including those carried out by a delegate, sub-delegate, external valuer or counterparty, identification of the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of the Company, its associated activities or its investors; and
- to specify procedures to be followed and measures to be adopted in order to prevent, manage and monitor such conflicts;
- and to communicate this information to the Board and appropriate Committees within the Firm.

2 REGULATORY BACKGROUND

AIFMR Articles 30 to 37 and SYSC 10, require the Firm to establish, implement and apply effective conflicts of interest policies and procedures and conflicts of interest requirements are also contained in the FCA Senior Management Arrangements, Systems and Controls (SYSC) sourcebook FCA Principle 8 (Conflicts of Interest) states that "A firm must manage conflicts of interest fairly, both between itself and its clients and between one client and another."

A Firm must have procedures and measures established for the prevention (or management) of conflicts of interest.

These must be designed to ensure that the relevant persons engaged in different business activities, involving a risk of conflict of interest, carry out these activities with a degree of independence. The degree of independence required needs to be appropriate to the size and activities of the Company and its associated activities. In addition, the degree of independence required also needs to be appropriate to the materiality of the risk of damage to the interests of the AIF, Funds or their investors.

As required by Article 34 of AIFMR, where the arrangements made by the AIFM are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the AIF or investors in the AIF are prevented the Board shall be promptly informed in order to take the necessary decision or action to ensure that the AIFM acts in the best interest of the AIF (or the investors of the AIF).

City Financial is required to implement and maintain an effective Conflicts of Interest policy to:

- identify, manage and mitigate all actual, potential and perceived conflicts of interest; and
- where these may damage a client's interests, disclose the general nature of these to the client concerned together with our procedures for minimising their impact before undertaking business on their behalf.

This Policy refers to "clients", which includes the Alternative Investment Funds (AIFs), investors in the AIFs, UCITS, investors in the UCITS Funds, and managed accounts.

3 WHAT IS MEANT BY CONFLICTS OF INTEREST?

Rules relating to the management of conflicts of interest are contained in a number of chapters of the FCA Handbook largely derived from MiFID II. However, the AIFMD and MiFID II have brought in new conflicts managing requirements including relating to the governance around conflicts, and identifies the following situations where conflicts may arise between:

- On the one hand, City Financial, its managers, employees or any person directly or indirectly linked to City Financial by control, an individual member of staff, certain persons directly or indirectly connected to City Financial; and on the other, the duty that City Financial owes to a City Financial managed fund;
- a City Financial managed fund or the investors in that City Financial managed fund, and another City Financial managed fund or the investors in that other fund;
- a City Financial managed fund or the investors in that fund, and another of City Financial's clients;
- two of City Financial's clients; or
- a City Financial managed fund or the investors in that fund and a UCITS managed by City Financial or the investors in such a City Financial UCITS.
- UCITS Regulation contains similar requirements, requiring City Financial to be structured in such a way so as to minimise the risk of UCITS' or clients' interests being prejudiced by conflicts of interest between City Financial and its clients, between two of its clients, between one of its clients and a UCITS, or between two UCITS.
- In accordance with the provisions of the AIFMD and MiFID II, City Financial shall ensure that:
 - tasks and responsibilities which may be incompatible or generate conflicts of interest are segregated;
 - should City Financial engage a prime broker, the terms shall be set out in a written contract, in particular terms relating to transfer and reuse of City Financial managed fund assets, which must comply with that particular fund's rules or instrument of incorporation. The contract must provide that the Depositary be informed of the contract; and
 - for those funds City Financial manages which are classified as open-ended AIFs, it will identify, manage and monitor conflicts of interest arising between investors wishing to redeem their investments and investors wishing to maintain their investments in the AIF.

Any Conflicts of Interest issues are raised by the Head of Legal and Compliance and discussed at the monthly Risk Management Committee (RMC) meeting. At least annually, Conflicts of Interest will be an agenda item for the Board of City Financial Investment Company Limited and the conflicts of interest policy and schedule will be signed off by the Board.

4 TYPES OF CONFLICT

AIFMR Article 30 and SYSC 10.1.4R set out that, for the purpose of identifying the types of conflict that arise in the course of managing an AIF, and, where there may be a material risk of damage to the interests of the AIF, the AIFM must take into account certain issues. It must consider as a minimum, whether the AIFM or a relevant person or a person directly or indirectly linked by control to the AIFM:

- Is likely to make a financial gain or avoid a financial loss at the expense of the AIF or its investors;
- Has an interest in the outcome of a service provided to the AIF or to its investors or to a client or of a transaction carried out on behalf of the AIF or a client, which is distinct from the AIF's interest in that outcome;
- Has a financial or other incentive to favour
 - the interest of a UCITS, a client or group of clients or another AIF over the interests of the AIF;
 - the interest of one investor over the interest of another investor or group of investors in the same AIF;
- Carries on the same activities for the AIF and for another AIF or client;
- Receives or will receive from a person other than the AIF an inducement in relation to a service provided to the AIF, in the form of monies, goods or services - other than the standard commission or fee for that service.

5 MANAGING AND DISCLOSING CONFLICTS OF INTEREST

City Financial will manage its conflicts of interest in line with FCA rules and this policy.

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 their behalf:

- Must 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
- Must provide sufficient detail to enable that particular client to make an informed decision in relation to the service offered.

6 MONITORING CONFLICTS

As required by AIFMR Article 34, Conflicts of interest will be regularly discussed at the Board and Risk Management committee and conflicts of interest entailing a material risk of damage to the interests of one or more AIFs or its investors will be addressed. Appropriate Management Information will be presented. The Board of Directors will on a frequent basis, and at least annually, receive written reports on the activities described above.

7 CONFLICTS REGISTER

City Financial will keep a record of conflicts of interest which have been identified as amounting to a current or potential material risk of damage to the interests of one or more of its clients.