

# J. STERN & CO.

## Risk Statement

### Understanding risk

All forms of investment involve risk. The value of investments and the income derived from them is not guaranteed and it can fall as well as rise. Changes in exchange rates or taxation may have an adverse effect on the price or value of or income from investments. Investment returns may be constrained by charges levied and inflation may reduce the value of investments.

These are only some of the risks involved in investments and in deciding your objectives and any restrictions that you wish to impose, we would draw your attention to the following generic terms and risks and our interpretation of them.

### Our Approach to Risk

Our approach is to empower you to understand the balance of risk and reward in your portfolio so that you are able to engage with us as your portfolio evolves over time. We therefore want you to understand the nature of all investments that you own and the potential risks relevant to them. If you have any questions, please do not hesitate to ask.

### Suitability and Changes in Circumstances

If there is any change in your circumstances, whether you think it affects your portfolio or not, let us know. This does not just cover the information that you have provided to us in your Client Profile and Investment Guidelines, Objectives and Constraints. By working together, we can ensure that your investments are suitable for you.

### Past Performance

Past performance is not a guide to future performance. You should remember that the value of an investment and the income received from an investment can go down as well as up, and that you may not get back the amount you invested.

### Diversification

Diversification reduces security specific risk. It means that the portfolio has a risk level lower than the weighted average risk of its constituent assets, closer to that of systemic risk.

While our portfolios are more concentrated than others, this allows them to benefit from the performance of individual investments while providing an appropriate level of diversification.

### Risk and Reward

Risk and reward are generally related to each other: where more return is sought, more risk is incurred. We argue that no investment (even cash) has zero or no risk.

### Bespoke Portfolios

We seek to construct your portfolio on a bespoke basis based on the investment approach outlined in your agreement with us. Any decision we take or advice we give is based on your Client Profile, Investment Guidelines, Objectives and Constraints. This may lead to substantial differences in composition and performance between portfolios of different clients.

### Benchmarks

Our decisions are not driven by any benchmark index. We are not index trackers or closet index trackers and we will construct your portfolio based upon our view how to best fulfil your objectives.

### Risk Monitoring and Limits

We monitor the risk of your portfolio to ensure that it is consistent with your Client Profile and Investment Guidelines, Objectives and Constraints. We do not treat desired exposures as formal limits, as they could force us to buy or sell when we might not consider this to be timely or prudent as a result of market movements or individual share price movements. We may only act if imbalances are sustained and material.

### Building Portfolios

When a portfolio is first created from cash or existing investments, or cash or investments are added to an existing portfolio, our bespoke approach can lead to investments being made over an extended period of time.

### Types of Risk that are Applicable to your Portfolio

While our investment research is geared towards identifying investments that contribute towards your investment objective, the chance of an adverse outcome is inherent in any investment. These could be internal to the business invested in, or external from changes in the business environment or competitive landscape.

Portfolios that we manage will be exposed to a number of types of risk. These risks include:

*Counterparty risk:* The risk that a party connected to an investment or transaction is unable to meet its commitment.

*Credit risk:* The risk of an issuer defaulting and being unable to repay the principal investment or financial gain.

*Equity risk:* The risk that the value of the equity in a company becomes impaired or worthless as the company's business deteriorates or becomes insolvent.

*Foreign Exchange Risk:* The risk arising when an investment is made in a country other than your main or base currency.

*Inflation risk:* The risk that the real value (the value adjusted to remove the effects of price changes over time) of an investment will fall as a result of the rate of inflation exceeding the rate of return on the investment.

*Liquidity risk:* The risk stemming from inability to buy or sell an investment quickly enough to prevent or minimise capital loss.

*Market risk:* The risk that the value of an individual investment or portfolio will fall as a result of a fall in financial markets.

*Political risk:* The risk stemming from a change in government policy or regulation that has an effect on the value of an investment. Such risk exists in all countries, without exception.

*Security Specific risk:* The risk that a specific security may alter in price, independently of the systemic risk of the financial markets in general or in the asset classes that you are looking at.

*Systemic Risk:* The risk inherent in financial markets in general or in the asset classes that you are looking at.

*Volatility:* A statistical measure of the tendency of an individual investment to have significant fluctuations in value. Generally, the higher the volatility, the riskier the investment.

This Risk Statement reflects our current practice and may be changed at any time.

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## *Best Execution Policy*

### 1 Purpose

The purpose of this best execution policy is to provide clients of J. Stern & Co LLP and Star Fund Managers LLP (“we” or “Stern”) with information in relation to our order execution arrangements.

### 2 Introduction

Under the revised Markets in Financial Instruments Directive and the Markets in Financial Instruments Regulation (collectively “MiFID II”) and the Conduct of Business rules of the Financial Conduct Authority (the “FCA Rules”), with registered office address at 12 Endeavour Square, London E20 1JN, (“FCA”), we are required to establish and implement an order execution policy regarding the duty to obtain the best possible result for clients when executing orders. In accordance with these requirements, this is our policy in respect of arranging the execution of client orders, namely through placing orders on behalf of our clients for the buying and selling of securities and other financial instruments. An up to date copy of this policy is available online at [www.jsternco.com](http://www.jsternco.com).

### 3 Best Execution Obligations

Where we manage portfolios of investments on a discretionary basis for our clients, we give effect to decisions to deal in financial instruments on behalf of our clients. The regulatory requirement on best execution does not demand any firm to achieve the best possible result with every trade, but that the focus is taking all sufficient steps to obtain the best possible result for its clients on a consistent basis.

There are two methods which we use to give effect to those decisions that result in different best execution obligations:

#### 3.1 Where a client's custodian is also the broker

This Policy will not apply to the extent that a client uses a custodian that requires, or has agreed with the client, that only the custodian's own broker team is able to execute an order. Many private bank custodians do not allow clients to trade other than through their own broker. Therefore, in such a scenario where a client uses a custodian that requires orders to be routed through them, then our best execution obligations to the client will be satisfied as we ultimately have no ability to influence the trading outcome.

#### 3.2 Where a client's custodian is not the broker

Where a client's custodian is unable to provide trading facilities for any particular reason, we can approve the use of, and subsequently transmit an order to, a third party, e.g. a broker, for that third party to execute on behalf of our client. Therefore, we must act in accordance with the best interest of our clients when placing orders with such third parties for execution that result from decisions by us to deal in financial instruments on behalf of those clients.

If the broker is subject to MiFID, we place a degree of reliance on the counterparty that it will comply with its own best execution obligations. However, we only do so after we are satisfied that the broker has sufficient arrangements to comply with its own duty of best execution as a MiFID firm. Please see section 5.2 below.

Additionally, this policy will only apply when we use a third party to execute client orders in “Financial Instruments” as defined in Annex 1 Section C of MiFID II. Consequently, when we arrange execution of orders on a client's behalf in instruments that are not Financial Instruments as defined by MiFID II, we do not owe any best execution obligations with respect to those instruments.

All our staff who are responsible for placing orders with third parties (brokers/custodians) for execution by those third parties must ensure that any such activities are conducted in accordance with the requirements set out in this policy.

### 3.3 Specific Instructions

Where we receive specific instructions from you regarding our execution arrangements when providing an investment service, we will ensure execution is performed in adherence with those specific instructions. By doing so, we will consider as having satisfied our best execution obligations under MiFID II to the extent that an order or a specific aspect of an order is executed following specific instructions from you relating to the order or the specific aspect of the order.

Any specific instruction received from you may prevent us from taking the steps we have designed and implemented in this best execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions. Hence, our ability to provide best execution will be limited to the extent that we are following specific instructions from you.

### 4 Execution Factors and Execution Criteria

We are required to take all sufficient steps to obtain the best possible result, taking into account a range of execution factors, when transmitting orders to other entities to execute. The FCA requires us to assess best execution by taking into account:

- price;
- costs;
- speed, timeliness and likelihood of execution;
- efficiency, timeliness and risk of errors in settlement;
- size;
- nature; and
- any other consideration relevant to the execution of the order (including whether it is executed on a trading venue or a regulated market (as defined under the FCA Rules).

For clients that fall under paragraph 3.2, the best possible result will generally be determined in terms of the total consideration for the transaction, representing the price of the financial instrument and the cost related to execution, which includes all expenses incurred by you which are directly related to the execution of the orders, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. However, it should be noted that speed of execution, likelihood of execution, timeliness of settlement, size and nature of the order, market impact, nature of the client order and priorities placed on us may affect the eventual transaction price.

The best possible result for a particular client order will be determined by the relative importance that we give to the above execution factors. In the absence of specific instructions from a client, we will use our own judgment, skill and experience, having regard to available market information, when determining the factors that we need to take into account for the purpose of providing clients with best execution.

While price is often an important execution factor, there will be situations when this is not the priority when executing a trade. When executing an order, and assessing the relative importance of each of the aforementioned execution factors, we will take into account the following criteria:

- client specific criteria (for example, client categorisation and investment and trading objectives);

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- the characteristics of any financial instrument that is the subject of the order (for example, the level of liquidity associated with the instrument and whether it is traded on a trading venue or on an OTC basis);
- the characteristics of the order (for example, its size, whether it is a market order or a limit order, and the anticipated impact on the market arising as a result of its execution)
- when raising cash to fund portfolio outflows, speed may take priority over price; and
- the characteristics and choice of execution venue may be limited for certain instruments.

In light of the above, outside of specific client instructions the order of priority for equities, the priority would usually be: price; costs; speed/timely execution; likelihood of execution and settlement; size; and other considerations.

The order of priority for bonds and debt instruments would usually be: price; costs; likelihood of execution and settlement; likelihood of speed/timely execution; size; and other considerations.

There are inherent trade-offs between the execution factors which have to be continually considered by our Approved Brokers on a trade-by-trade basis to achieve best execution for a particular trade. The prioritisation of execution factors may therefore change depending on the unique circumstances of a particular trade.

## 5 Brokers

### 5.1 Current Approved Brokers

As at the date of this policy, we use nine brokers to which we transmit orders for execution. These are Cowen International Limited, with its registered office at 1 Snowden Street, London EC2A 2DQ, UBS Investment Bank with its registered office at 5 Broadgate, London EC2M 2QS, Ria Capital Markets Ltd, with its registered office at 5th Floor, 64 Cannon Street, London, EC4N 6AE, Novate Global Markets Limited with its registered office at 24 Lombard Street, London EC3V 9AJ, BCP Securities UK Ltd with its registered office at 16 Berkeley Street, London, W1J 8DZ, Stifel Europe Bank AG with its registered office at Kennedyalle 76, 60596 Frankfurt am, Main Deutschland, J.P. Morgan Securities Plc with its registered office at 25 Bank Street, London E14 5JP, Stifel, Nicolaus & Company, Incorporated with its registered office at 501 North Broadway, St. Louis, MO 63102, United States and Williams Trading LLC with its registered office address 450 Post Road, East Suite 120, Westport, CT 06880, United States, (together the “Approved Brokers”). Cowen International Limited and Williams Trading both operate as an “outsourced trader”, in that they select the broker-dealer and market centres with which to execute orders from us.

Novate Global Markets Limited, J.P. Morgan Securities Plc and BCP Securities UK Ltd execute orders in bonds. Cowen International Limited and Ria Capital Markets execute orders in equities and bonds; and UBS Investment Bank, Stifel Europe Bank AG, Stifel, Nicolaus & Company, Incorporated and Williams Trading execute orders in equities.

In the event that this changes, we will update this policy to list the Approved Brokers. The broker(s) listed have execution arrangements that will enable us to comply with our obligations in relation to best execution.

### 5.2 Broker Approval Process

We have assessed and approved the brokers listed in section 5.1 as follows. Before a broker is approved, it must first demonstrate that it can meet our internal criteria. This includes reviewing their order execution policy. For MiFID firms, a high-level review will be performed on the broker's order execution policy

as there is an expectation that their policy will be aligned with the MiFID best execution requirements. However, for non-MiFID firms a detailed review will be performed to assess if the order execution policy meets the requirements of MiFID or not. This is key as it will determine the level of monitoring that will be performed by us (see below).

In addition to best execution, there are other key factors that we will take into consideration in the broker approval process, such as the broker's reputation in the marketplace (including disciplinary history), their creditworthiness, their ability to provide administrative and operational support, their competitiveness in terms of commission rates and spreads, their speed of execution, their financial stability, their quality of service, their access to markets and whether they have suitable clearing and settlement facilities.

The list of Approved Brokers is subject to annual review. As part of this review, brokers will provide a copy of their latest order execution policy that we will review to provide reassurance to us (or otherwise) that there are appropriate arrangements in place to ensure sufficient steps will be taken when executing or arranging for the execution of client orders.

Where we place an order with a broker for execution by that broker, we are not responsible for controlling or influencing the arrangements made by the broker relating to the execution of that order (i.e. we do not control the broker's choice of execution venues, such as exchanges, multilateral trading facilities, etc.). We are not required to duplicate the efforts of the broker to whom an order is passed in ensuring the best possible result. Our policy is therefore to ensure that Approved Brokers listed in section 5.1 are in a position to assist us to comply with our best execution obligations (by delivering the best possible result) and that orders are passed to those brokers in accordance with this policy.

## 6 Aggregation and Allocation of Orders

### 6.1 Aggregation for Orders through Approved Brokers

We may aggregate client orders placed through our Approved Brokers with those of other clients (including clients who are our affiliates) and our own account and will allocate such transactions on a fair and reasonable basis, subject to the requirements of any applicable regulatory rules, and where it is unlikely that the aggregation of orders and transactions will work overall to our clients' disadvantage.

We will take into account the investment strategy and risk profile of each client before allocating aggregated orders.

Aggregated orders will be allocated with priority to clients who are not our affiliates, then clients who are our affiliates and then to ourselves.

### 6.2 Allocation Policy for Orders through Approved Brokers

When allocating orders placed through an Approved Broker, the following methodologies and factors will be considered:

- pro rata;
- pari passu;
- volume of the order;
- capacity of the relevant portfolio in line with investment restrictions;
- time horizons; and
- price of the order.

As a general rule, allocations among clients with the same or a similar investment objective will be pro-rata based on the relative market values of the aggregated clients' portfolios.

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Where the aggregated orders are executed in differently sized tranches and at different prices, the allocation will be made at the weighted average price achieved.

If an order is partially executed, the subsequent related orders required to complete the original aggregated order will be allocated on the same basis as the original order.

Deviations from the general rule (a “non-standard allocation”) may be permitted in the following specific circumstances where allocations may be based on:

- existing positions in the client accounts;
- different risk limits where the use of pro-rata based on portfolio assets may mean a client exceeds a risk limit;
- the availability of cash in the particular accounts;
- tax reasons; and
- shares to be allocated to the largest account if the securities traded are too small to be reasonably allocated to all clients.

## 6.3 Orders through Approved Brokers and with client selected Custodians

In cases where we decide to trade both through Approved Brokers and through client-selected custodians, we will be unable to allocate or aggregate orders across all those accounts.

In considering when to place orders in the same security with both Approved Brokers and client-selected custodians, we will consider whether the impact of the order is likely to have an effect on the market price of that security, by taking into account the liquidity and volume of that security.

If we believe that there is likely to be such an effect, we will consider putting all orders through our Approved Brokers and with client-selected custodians in such a way as to minimise such an effect. In deciding whether to do so, we will take into account the following factors in addition to those for non-standard allocations set out in 6.2 above:

- the volume of each order to be placed for each client;
- the cost of execution for each client; and
- in respect of orders to be placed with client-selected custodians, the expertise and capacity of that custodian.

## 6.4 Compliance

On some occasions, aggregation and allocation may operate to an individual client’s advantage and on others it may operate to the same client’s disadvantage.

Aggregations and allocations will be reviewed by our compliance team. In addition, our compliance team will have to pre-approve both all non-standard allocations and all adjustments to orders across both Approved Brokers and client selected custodians.

## 7 Trade Errors

It is possible that trade errors will occur. Our policy is that where a trade error results in a loss for a client, we will compensate the client. Where a trade error results in a benefit for a client, the client will keep the benefit. We will not offset a benefit against a loss.

## 8 Financial Instruments

The following are a range of financial instruments that we currently transact in on behalf of our client base. Once we have made a decision to deal in a financial instrument on behalf of a client, the relevant portfolio manager will place the order with a broker/custodian. We will not execute the transaction directly.

### 8.1 Listed Equities, Bonds and Money Market Instruments

We do not execute trades for our clients directly with the market. We approach an Approved Broker or arrange execution through

the client’s appointed custodian. The best execution arrangements of all of our Approved Brokers and recommended custodians (where applicable, e.g. if a client’s custodian is unable to provide trading) are reviewed initially and on an ongoing basis.

### 8.2 Unlisted Funds and Collective Investment Schemes

The only way to execute an order to buy or sell shares (or units) in an unlisted fund or collective investment scheme will be to transmit the order to the operator of the fund (or its agent) for execution. As the fund operator in this instance will be the only possible execution venue, it will not be possible to take into account the same execution factors that would apply to a market listed security. Such orders will usually be made through the custodian, even where the custodian is not also the broker (as set out in 3.2).

Where the fund is also on a fund clearing platform, our orders to buy or sell funds may be routed to that platform, who in turn place the orders with the fund operators. There will be no additional costs borne by the client as a result of us using a fund platform. However, the appointed custodian may charge for investing in funds. Clients should refer to their custody terms for further information.

### 8.3 Listed Funds and Collective Investment Schemes

#### *Closed-Ended Funds that are listed*

Closed-ended funds that are listed are frequently illiquid investments, especially where the listing is on a minor market (such as the Channel Islands Stock Exchange). The market listing may provide some liquidity on a matched bargain basis. We will typically arrange execution of client orders through an Approved Broker or the client’s custodian, who in turn will execute the order through the relevant exchange. The price may be influenced by any market makers, and where there is only one market maker, may be determined by that entity. It is possible that the market maker will be connected to the fund operator (or is its agent).

#### *Open-Ended Funds that are listed*

Whilst a fund operator will be the execution venue for the majority of orders, offshore funds may be listed on an offshore stock exchange (e.g. the Channel Islands Stock Exchange). In order to preserve the tax status of the fund, it may be necessary to trade through the offshore stock exchange. In such instances, we will arrange execution of the order with the client’s appointed custodian or through our Approved Brokers, who in turn will execute the order through the relevant exchange. In these circumstances, the execution price will be exactly the same as the price that would have been received from the fund operator.

### 8.4 Limited Liability Partnerships

Limited liability partnerships or LLPs are classified as unregulated collective investment schemes. These are illiquid investments and cannot be sold by the investor except on a matched bargain basis. The execution venue for LLPs will usually be the operator of the LLP. Consequently, it will not be possible to take into account the execution factors that would apply to a market listed security and orders will be executed at a price determined by the operator or its agent.

### 8.5 Investments in private companies or private debt

It will not be possible to take into account the execution factors that would apply to a market listed security when transacting in equity or debt securities in or loans or other financings of private companies. Clients will execute at a price and on terms agreed with the private company or their appointed agent.

### 8.6 Foreign exchange trades:

All foreign exchange transactions (whether on a standalone basis or related to the conversion of trade and income proceeds) will

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be executed by the client's appointed custodian. We will instruct the custodian, on an ad hoc or standing basis, to complete a foreign exchange transaction. Clients should refer to their custody terms for further information.

## **8.7 Derivative trades**

Where permitted by the client mandate, derivatives may be used to provide portfolio protection or to generate income or performance.

For exchange traded derivatives we will not trade directly on an exchange. We will deal with a broker, specifically approved with respect to this asset class, or with the client's appointed custodian.

## **9 Arranging and Recommending Custodians**

Where we are requested to do so by a prospective or existing client, we are able to arrange custody on their behalf, and, where the custodian permits us to do so, appoint a custodian for the client as the client's agent.

Where we also recommend one or more custodians to a client, we will take into consideration a number of factors, including but not limited to: the geographic location of the client and the custodian, the languages they speak, their best execution arrangements, their ability to service the client's specific requirements (namely the availability of markets and the desire for additional services), the operational and regulatory efficiency of how we interact with that custodian, the speed of execution, the ability to fulfil requirements for reporting to clients or regulators (both in respect of transactions and portfolios), the custodian's reputation and creditworthiness and, importantly, costs.

Satisfaction with the custodian's order execution arrangements is an aspect of the due diligence performed by us on the custodian prior to recommending a custodian. This will encompass, as is the case with brokers, for MiFID firms a high-level review of the custodian's order execution policy. However, for non-MiFID firms, a detailed review will be performed to assess if the order execution policy is equivalent to MiFID standards or not. Ongoing and regular due diligence will also be performed to provide reassurance on the custodian's best execution arrangements.

## **10 Review and Monitoring**

We will review this policy, and its order execution arrangements, annually and whenever a material change occurs that affects our ability to continue to obtain the best possible results for our clients on a consistent basis.

## **11 Client Consent**

Under the FCA Rules, we have an obligation to provide clients to whom we provide portfolio management services with appropriate information on this policy.

As we do not directly execute with the market on behalf of our clients, we do not have an obligation to obtain the client's consent in relation to future amendments to this policy.

This Best Execution Policy reflects our current policy and may be changed at any time. Notification of changes will be published on our website.

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## *Conflicts of Interest Policy*

This document sets out the policy of J Stern & Co LLP and Star Fund Managers LLP on conflicts of interest, gifts and inducements.

### **Definition**

An actual or potential conflict may arise when, in the exercise of its activities and services, the interests of:

- Stern (including its managers, employees and appointed representatives or any person directly or indirectly linked to them by the control) or
- its associates

and the interest of its clients, are directly or indirectly in competition, and which could significantly prejudice the clients' interests.

### **Identifying situations where a conflict may arise**

The circumstances giving rise to conflicts of interest includes all cases where there is a conflict between the interests of Stern, an individual member of staff, certain persons directly or indirectly connected to Stern; and the duty that Stern owes to one or more clients.

Conflicts of interests could prejudice a client in various ways, whether or not Stern suffers any financial loss and independently of whether the actions or the motivations of the employees involved are intentional. For the purposes of identifying the types of conflicts of interest that arise, or may arise, Stern must take into account, as a minimum whether the firm, a relevant person (e.g. a partner, employee or an appointed representative or a director, partner or employee of an appointed representative or a person who is directly involved in the provision of services to the firm or its appointed representative under an outsourcing agreements) or a person directly or indirectly linked by control to the firm:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of the service to, or a transaction carried out for, a client which differs from the client's interest;
- carries on the same or similar business as the client; and/or
- receives an inducement from a third party in the execution of the service provided to the client, other than the standard commission/fee for that service.

Stern has identified the following general types of potential conflicts of interest. Conflicts of interest may arise because:

- the firm or an associate undertakes designated investment business for other clients including its associates (and the clients of its associates);
- a partner or employee of the firm, or of an associate, is a partner/director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of a client;
- a partner or employee of the firm, or of an associate, is involved in the management of any company whose securities are held or dealt in on behalf of a client;
- a transaction is effected in units or shares of a fund or company of which the firm or an associate is the manager, operator or adviser;
- a transaction is effected in securities in respect of which the firm or an associate, or a partner or employee of the firm or

an associate, is contemporaneously trading or has traded on its/their own account or has either a long or short position;

### **Prevention and management**

Stern has identified specific potential conflicts of interests which may arise in relation to its activities. The general nature and/or source of these conflicts will be disclosed to clients before undertaking business in sufficient detail to enable the client to make an informed decision about the service in the context in which the conflict has arisen. For each potential situation, Stern has analysed whether or not the risk is actual or potential for one or more of its clients.

It is not always possible to prevent actual conflicts of interest from arising. In that case Stern will try to manage the conflicts of interests by any of the following means as appropriate; declining to take on the new client, segregation of duties, implementing Chinese Walls or establishing a Chinese Wall.

### **Inducements including gifts and hospitality**

Stern maintains business relationships with third parties who may remunerate Stern in the form of management fees which can constitute monetary or non-monetary benefits thereby impairing Stern's fiduciary duties to the client. The FCA Rules classify these as inducements. Further details are included in the Compliance Manual.

Gifts and hospitality could lead to potential conflicts of interest. No employee may accept from, or give to, any person any gift or other benefit that cannot properly be regarded as justifiable in all circumstances. Policies and procedures have been implemented to ensure that staff and their connected persons do not offer or accept gifts or inducements which may give the perception that decisions or actions are not impartial. Small gifts between £100 and £500 received or given must be notified to the Compliance Officer. In instances where the gift/hospitality are above £500, the Compliance Officer must be informed and written approval will be required.

These policies are set out in the Compliance Manual. All employees must act with the highest standards of integrity to avoid any allegations of conflicts of interest. A record is kept by the Compliance Officer of any gifts or hospitality received or given. Where an invitation to a hospitality event could be construed as being a business inducement, it must be declined and the Compliance Officer informed.

### **Anti-Bribery**

Stern prohibits the offering, the giving or acceptance of any bribe intended to induce an 'improper performance' of a relevant function or activity. This applies to any employee, or associated person, whether they are situated in this jurisdiction or extra territorially. Stern's Anti-Bribery Policy supplements procedures currently in place and demonstrates its commitment to preventing bribery.

### **Personal account dealing**

Employees may only undertake personal investment activities that do not breach applicable law or regulation, do not unduly distract from their employment responsibilities and do not create an unacceptable risk to the company's reputation. Transactions should also be free from business and ethical conflicts of interest. Employees must never misuse proprietary or client confidential information in their personal dealings and must ensure that clients are never disadvantaged as a result of their dealings.

Our Personal Account Dealing Policy has been established to ensure that personal account dealing by members of staff comply with this policy. This includes a prohibition from personal

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account dealing in certain stocks as outlined and post-notification within a set timescale for all other transactions.

Our Personal Account Dealing policy is set out in the relevant Compliance Manual.

## Outside employment and business interests

No employee may engage in any additional occupation without the consent of the firm. In certain circumstances, consent may be withheld.

Employees must not accept personal fiduciary appointments (such as trusteeships or executorships other than those resulting from family relationships) without first obtaining written approval from the Compliance Officer.

## Conflicts between clients

There may be instances where Stern acts for multiple clients. In such circumstances Stern takes stringent actions by enacting Information Barriers between business lines, deal teams and other shared service areas. Should this not prove sufficiently adequate, or where the risk of an actual conflict of interest giving rise to a material damage to one or more clients, Stern is under a duty to inform both clients that a conflict of interest exists. Stern is not allowed to disclose the identity of the conflicting party, but must give both parties the option to either terminate the existing business relationship, or to waive the conflict of interest and preserve the business relationship.

Stern may act for different clients acquiring or disposing of the same financial instruments. In such circumstances we adhere to our Best Execution Policy for the client. Each client will also have a segregated portfolio and each client has a separate custodian/broker which executes trades on its behalf. In circumstances where Stern is issuing instructions to two separate custodians or brokers on behalf of its clients, it will not advise this fact to the executing broker or custodian and thus the executing broker/custodian will act according to its own best execution criteria to achieve the best result for its client and will be free from any conflict.

In certain cases, we may disclose the general nature and/or source of potential or actual conflict to the client in writing before undertaking business on its behalf so that the client can decide whether or not to accept these potential conflicts.

If it is not possible to avoid or manage a conflict of interest, we may have no choice but to decline to provide the service requested.

## Record Keeping

Under SYSC 10.1.6 we must keep and regularly update a written record of the kinds of investment or ancillary services or activities carried out by or on behalf of the firm in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an on-going service or activity, may arise. These records will be for a minimum of six years from the date of creation and are maintained on an on-going basis by the Compliance Officer.

## Segregation of Duties

There are several distinct tasks within the discretionary investment management business that could lead to potential conflicts of interest that are mitigated by them being segregated from the individuals directly involved in the task.

## Remuneration and oversight

The management oversight and determination of appropriate remuneration of members of staff is conducted by our senior management. Remuneration for non-investment management staff is based on the overall results of the firm and is not based on the success of any transaction. Remuneration for investment

management staff may be partly based on the performance of the managed portfolios.

Staff are subject to appropriate management and supervision to ensure that we are able to demonstrate that it has appropriate and effective arrangements in place to ensure that conflicts of interest are properly managed.

## Information Barriers

Stern maintains appropriate policies in its Information Security and Data Protection Policy and Compliance Manual detailing Insider Lists and Information Barriers often known as Chinese Walls so as to limit or withhold the use of information that is price-sensitive, confidential, and could give rise to market abuse, restrictions on dealing, conflicts of interest, or any other improper or unethical activities.

We also maintains and periodically updates the Restricted Lists of financial instruments that are prohibited or restricted from investment as a result of a conflict of interest or inside information.

The Compliance Officer monitors along with the relevant business line managers the effectiveness of these Information Barriers. In some circumstances staff may be taken "across the wall". Where this happens the Compliance Officer must be notified and a record made thereof, along with updating of the Restricted List.

## Reporting

Conflicts of Interest situations or potential conflicts situations should be reported to the Compliance Officer immediately.

This Conflicts of Interest Policy reflects our current policy and may be changed at any time.