



KERNOW
ASSET MANAGEMENT

Kernow Asset Management

CONFLICTS OF INTEREST POLICY

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Document Governance

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It is important to identify and effectively manage conflicts of interest which arise or may arise in the course of providing a service and carrying out regulated activities, as their existence may lead to material risk of damage to a client's interests. This document sets out the policy of Kernow Asset Management ("Kernow") for the management of such conflicts of interest.

The Financial Conduct Authority ("FCA") sets out obligations in SYSC 10, COBS 12 and Principle 8 to which this document is prepared.

This document does not intend to create third party rights or duties or form part of any contractual agreement between the company and any client. This policy may be amended and updated at any time if any material change occurs and will be reviewed on at least an annual basis.

Whilst the FCA rules are important to be adhered to by all Kernow's Employees, they are non-exhaustive, and certain other additional rules may apply to readers who are members of professional associations, or by virtue of their job role. Failure to follow any of the rules whether by express breach, or failure to follow any of the spirit of identifying, mitigating, and managing conflicts of interest may also be a breach of an employment contract. Disciplinary action may be taken by the Kernow Directors.

If at any time you are in doubt as to how to act in a given situation where you are faced with an actual or potential conflict of interest you should contact the Head of Compliance.

1. Background

Kernow are authorised and regulated by the FCA to conduct investment management activities. The firms provide process driven investment management services which are targeted primarily at professional investors and advisors.

These services could potentially give rise to conflicts of interest entailing a material risk of damage to the interests of one or more clients. This document aims to set out these potential conflicts and the procedures that are in place to be followed and measures to be adopted to manage such conflicts.

Conflicts of interest may occur between a client and Kernow, including its managers, employees, or between two or more clients.

Treating Customers Fairly is central to the core values of Kernow. There is an embedded culture that understands what is acceptable and what is unacceptable behaviour. As such, conflicts of interest and the identification/management/mitigation thereof are central to this philosophy and culture.

All employees must act with the highest standards of integrity to avoid conflicts of interest wherever possible.



2. Conflicts of Interest

2.1 Definition

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

- I. Kernow (including its managers, employees and appointed representatives) or
- II. its associates and the interest of its clients are directly or indirectly in competition, and which could significantly prejudice the client's interests.

2.2 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:

- I. interests of Kernow and the duty that Kernow owes to a client;
- II. differing interests of two or more clients, as Kernow owes a separate duty to each of them.


Conflicts of interests could prejudice a client in various ways, whether or not Kernow suffers any financial loss and independently of whether the actions or the motivations of the partners/employees involved are intentional.

For the purposes of identifying the types of conflicts of interest that arise, or may arise, Kernow must take into account, as a minimum whether the firm, a relevant person (e.g. a director, employee or an appointed representative or a director, employee of an appointed representative or a person who is directly involved in the provision of services to the company or its appointed representative under an outsourcing agreements):

- 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;
- has a financial or other incentive to favour one client (or group of clients) over the interests of another;
- 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.

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

1. a director or employee of the firm, or of an associate, is a 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;
2. a transaction is effected in units or shares of a fund or company of which the company or an associate is the manager, operator or adviser;
3. a transaction is effected in securities in respect of which the company or an associate, or a director or employee of the company or an associate, is



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

4. the company may, when acting as agent for a client, match an order of the client with an order of another client for whom it is acting as agent.
5. a director or employee of the company taking personal advantage of information gained, using company assets for personal benefit or profiting from business opportunities identified through a position held at the firm.
6. An employee of the company valuing assets in a fund for personal gain.

Directors or employees of the company are required to notify the Head of Compliance who will record it on the Conflicts of Interest register.

2.3 Prevention and Management

Kernow 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, Kernow 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 Kernow will try to manage the conflicts of interests by:

1) Disclosure to the client

Kernow will clearly disclose the general nature and source of the conflict of interest to the client before undertaking business for the client. The disclosure will be made in writing and include sufficient detail to enable the client to take an informed decision about the service in the context of which the conflict of interest has arisen.

2) Chinese walls


When Kernow establishes and maintains a Chinese wall, it is creating an information barrier. Essentially this requires information held by one part of the business to be withheld from, or not used by, persons in another part of the business. The use of a Chinese wall will be established and enforced by the Head of Compliance. It will include the segregation of data and computer systems, as well as physical segregation of partners/employees so that they are unable to access the same part of the office.

3) Declining to provide the service

It may not be possible to avoid or manage a conflict of interest. In that case, Kernow may have no choice but to decline to provide the service requested.

2.4 Inducements including Gifts and Hospitality

Kernow maintains business relationships with third parties who may remunerate Kernow in the form of management and performance fees which can constitute



monetary or non-monetary benefits thereby impairing Kernow's fiduciary duties to the client. The FCA Rules classify these as inducements.

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 reasonable. Policies and procedures have been implemented to ensure that employees and their connected persons do not offer or accept gifts or inducements which may give the perception that decisions or actions are not impartial. Employees are required to record details of any entertainment or corporate hospitality received above a certain level and seek sign-off from senior management, which would include prior approval above certain monetary values. The Head of Compliance undertakes regular reviews of such matters and dictates what is considered reasonable, including an assessment of all entertainment or corporate hospitality received by all personnel.

Further details can be found in Kernow's Gifts & Entertainment Policy and its Inducement Guidance Policy.

Minor Non-Monetary Benefits (MNMB)


Non-Monetary Benefits that involves a third party allocating valuable resources to Kernow is not a MNMB and accordingly should be considered to impair compliance with our duty to act in the client's best interest.

Acceptable MNMBs **must be**:

- clearly disclosed prior to the provision of the relevant service to the client;
- capable of enhancing the quality of service provided to the client;
- of a scale and nature that could not be judged to impair compliance with the duty to act honestly, fairly and professionally in the best interests of the client; and
- reasonable, proportionate and of a scale that is unlikely to influence the firm's behaviour in any way that is detrimental to the interests of the relevant client.

Acceptable MNMBs include:

- information or documentation relating to a financial instrument or investment service, that is generic in nature or personalised to reflect the circumstances of an individual client;
- written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party company is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it, or to the general public;
- participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;
- hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or other training events; and
- non-substantive material or services, as set out in COBS 2.3A.22.



For the avoidance of doubt Kernow considers reasonable business lunches and dinners where the purpose is to discuss topics that are capable of enhancing the quality of service provided to the client to fall within the category of MNMBs.

2.5 Anti-Bribery

Kernow 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. Kernow's Prevention of Bribery and Corrupt Practices Policy supplements the gifts, benefits and other inducements procedures and demonstrates its commitment to preventing bribery.

2.6 Personal Account Dealing

A conflict of Interest could occur if a employee were to invest or undertake transactions in a security directly which is held within the portfolios that we manage on behalf of our clients or a potential conflict may arise where an employee deals in a security ahead of clients. Any potential conflict is managed via detailed personal account dealing requirements as set out in Kernow's PA Dealing Policy.

These requirements include all direct transactions being scrutinised and authorised prior to any dealing taking place, by the Head of Compliance and the CIO. In addition, we have tight controls around the use of inside information and make use of a firm wide 'Stop List' to prohibit dealing in affected securities.

2.7 Outside Business Interest


No employee may engage in any additional occupation without the consent of the CIO Alyx Wood. 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 CIO Alyx Wood.

2.8 Fair Treatment of Client Orders and Allocation of Trades

The overriding objective of our trade allocation policy is to achieve fair and equitable treatment of client accounts and to ensure trade allocations are timely. Certain investments may be appropriate for multiple clients. Investment decisions for these clients are made by Fund Managers in their best judgement, taking account of those factors that they believe relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, the size of investments generally, and limitations or restrictions on a client's account that are imposed by the client or under law.

Kernow generally is not under any obligation to share any investment idea or strategy with all its clients. Decisions to buy or sell investments for each client are made by the relevant investment teams with a view to achieving each client's investment objectives. Therefore, a particular investment may be bought or sold for only one client or in



different amounts at different times for more than one but fewer than all clients. Likewise, a particular investment may be bought for one or more clients when one or more other clients are selling the investment.

Unless client specific circumstances dictate otherwise, for example when clients instruct us in the use of minority brokerage, the investment teams normally implement transactions in individual stocks for all clients with similar mandates at the same time. This aggregation of individual transactions may operate to the advantage or disadvantage of the clients involved in the order. There may be situations where the advisory clients' trading has an impact, either negative or positive, on the trading conducted by Kernow for its discretionary management clients.

Once a ticket has been created, investment managers cannot alter the order in which a trader places subsequent orders in the market to the benefit of a specific client, or group of clients, unless there are very special circumstances. Examples of such circumstances include investing funds on behalf of a new client, or an unexpected outflow or inflow of funds from an existing client. Order priority cannot be altered, for example, to include another client in a pre-existing sale order because it is expected that the price of the stock being sold is going to deteriorate. In circumstances where the client has given us instructions to use particular brokers for a specific percentage of their trading, we may occasionally remove their order from the aggregated order, to be dealt separately with the specified broker to fulfil this instruction. Our ability to achieve the best possible result i.e. best execution, and hence our obligation to do so, will be limited to the extent that we are following a specific instruction from our clients when placing an order with another entity for execution. It is the responsibility of our traders to ensure that order priority is altered only in accordance with these principles.

The allocation of executed trades is also done in accordance with procedures designed to ensure fair treatment. When orders are completed in full, trades are allocated to participating clients without delay. When orders remain incomplete at the close of a trading day, the portion of the order which has been executed is pro-rated among participating clients unless there is a significant reason not to do so, such as unforeseen cash commitments for a client or group of clients or where so little stock is bought or sold during the day that the costs of settlement outweigh the benefit to clients if the trades are allocated to all participating clients. Any allocations made without the standard pro-rata allocation basis are monitored by our Head of Compliance who record all such instances. However, these situations are rare and the vast majority of trades are either completed in full or pro-rated.

Further details can be found in Kernow's Best Execution & Order Handling Policy.

2.9 Dealing in own Funds

Kernow may, through its provision of investment management activities provide discretionary management services to its clients and may invest directly into other funds managed by itself or an affiliate. Any such investments would be in accordance with the relevant fund documentation. Kernow may from time to time seed new fund or class



launches. Kernow only uses seed investments in order to initially launch funds or share classes so does not invest for strategic investment reasons.

2.10 Record Keeping

Under SYSC 10.1.6 Kernow 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 company 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 ongoing service or activity, may arise. These records will be for a minimum of five years from the date of creation and are maintained on an ongoing basis by the Head of Compliance.

2.11 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.

2.12 Remuneration and oversight

The management oversight and determination of appropriate remuneration of employees is conducted by Kernow's Remuneration Committee. Remuneration for non-investment management employees is based on the overall results of the company and is not based on the success of any transaction. Remuneration for investment management employees may be partly based on the performance of the managed portfolios. Remuneration for advisory and sales employees is partly based on business production.

Employees are subject to appropriate management and supervision to ensure that Kernow can demonstrate that it has appropriate and effective arrangements in place to ensure that conflicts of interest are properly managed.


2.13 Information Barriers

Kernow maintains appropriate policies in its Information Security Policy 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.

Kernow also maintains and periodically updates the Restricted Lists of financial instruments ('Stop List') that are prohibited or restricted from investment as a result of a conflict of interest or inside information.

3. Monitoring and Review

Kernow will monitor the effectiveness of its systems and controls surrounding the management of any Conflicts of Interests to identify, and where appropriate, correct any deficiencies.



Kernow will regularly review its Conflicts of Interest Policy and should we amend or replace any version of the policy, the newest version will automatically apply and will supersede all previous versions.

All clients can request a hard copy of our Conflicts of Interest Policy at any time by contacting the Head of Compliance.

4. Record of Conflicts

Under SYSC 10.1.6, we must keep a record of the kinds of service or activity carried out by, or on behalf of, Kernow in which a conflict of interest leading to a material risk of damage to the interest of one or more clients has arisen or may arise. This record must be regularly updated.

To meet this obligation, Kernow maintains a Conflicts of Interest register of general conflicts as well as a Conflicts of Interest log, which details conflicts specific to Kernow. Both documents are reviewed by the Head of Compliance on a quarterly basis.

5. Reporting

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

Edward Hugo
Head of Compliance
August 2020