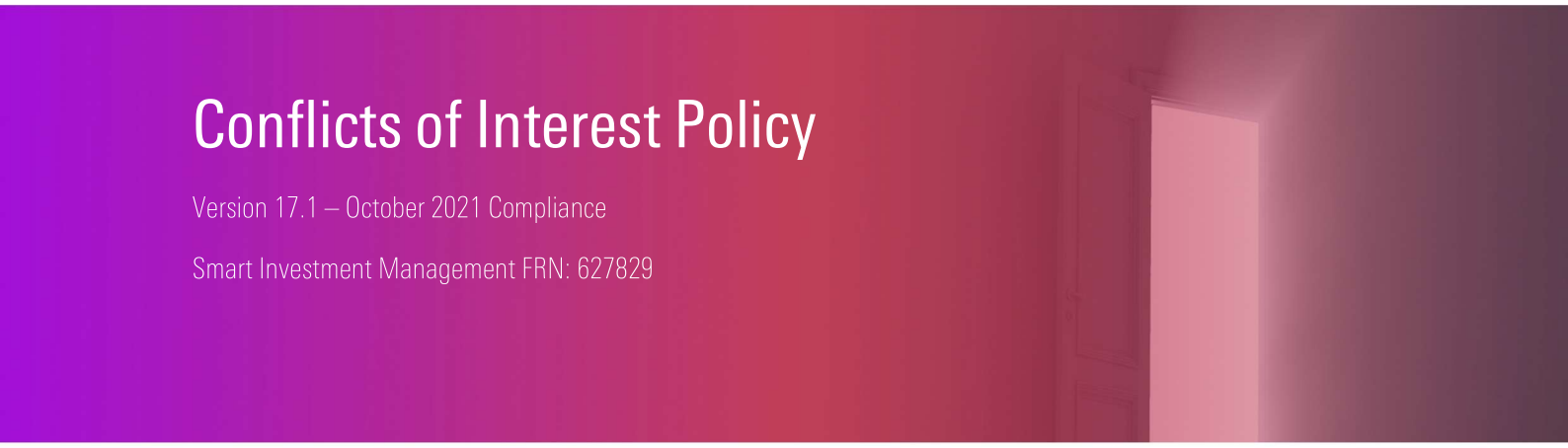
SmartIM
a Morningstar company



Conflicts of Interest Policy

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1.Introduction

Smart Investment Management (SIM) will take all appropriate steps to identify and prevent or manage actual or potential conflicts of interest. To help us do this, we have put in place this policy to safeguard our clients' interests.

The purpose of this policy is to summarise the potential conflicts of interest that could arise in the course of business between SIM and its employees and its clients; and outline the controls put in place by SIM to mitigate the risk of adverse outcomes for clients as a result of such conflicts of interest.

1.1 Regulatory Background

The FCA Principles for Businesses (PRIN) are located in the FCA Handbook. These principles are the fundamental obligations for FCA authorised firms under the regulatory system. Of these Principles, the five that are most pertinent in this instance are:

- Principle 1: A firm must conduct its business with integrity.
- Principle 2: A firm must conduct its business with due skill, care and diligence.
- Principle 3: A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- Principle 6: A firm must pay due regard to the interests of its customers and treat them fairly.
- Principle 8: A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

All SIM business areas must have processes in place to actively manage and mitigate actual or potential conflicts of interest.

2. Conflicts of Interest

2.1 What is a Conflict of Interest?

A conflict of interest occurs where a situation arises in which the interests of one party could be given unfair precedence over the interests of another party.

A conflict of interest includes (but is not limited to) the following:

- Passing client orders to a particular broker because they are a friend, regardless of best execution
- Investing in a particular fund because the salesperson offered a substantial gift or entertainment
- Engaging a new IFA client because WAL or SIM offered them a substantial gift or entertainment
- Purchasing external research from a third-party provider. The price may be reduced in order to induce further business from WAL or SIM

2.2 Key Considerations

Consideration of the following questions has formed the basis of the controls outlined in this policy:

- Is SIM likely to make a financial gain, or avoid a financial loss, at the expense of the client?
- Does SIM have financial or other incentives to favour the interests of one client or group of clients overthe interests of another?
- Does SIM engage in the same business as the client (i.e. as a competitor)?
- Has an inducement been offered to SIM from a person other than the client in relation to a service provided to that client, in the form of monies, goods or services (other than the standard commission or fee for that service)?

2.3 Limitations

SIM has a limited range of activities which reduces the possibility for conflicts to arise, namely:

- It does not provide any corporate financial advice nor does it supply financing to other companies. SIM generally invests in open ended vehicles and not in investment trusts or shares, and is therefore unlikely to come into possession of inside knowledge of the affairs of any other company.
- SIM does not act as market maker in any investment.
- SIM does not undertake any proprietary investment research into any directly quoted security.
- SIM does not undertake any proprietary trading.

3. Identifying & Managing Conflicts of Interest

SIM has a clear policy on conflicts of interest to ensure that:

- Conflicts of interest should be avoided, wherever possible.
- Conflicts or potential conflicts of interest must always be disclosed by all employees to the Compliance Director.
- No employee is permitted to exploit, or appear to exploit, to their personal advantage any personal or professional relationships with a client.
- Potential conflicts of interest must be recorded and monitored.

3.1 Our Measures

The measures we have adopted to prevent or manage conflicts are summarised below. We consider that these measures will allow us to take appropriate steps, to identify and prevent or manage actual or potential conflicts of interest. SIM seeks to ensure its staff act impartially to avoid a material risk of harming clients' interests, and at all times adopt relevant measures to mitigate conflicts.

3.1.1 Policies and procedures

We have adopted policies and procedures throughout our business to prevent and/or manage potential conflicts of interest, as well as to ensure client documents and data remain safe and secure at all times.Our staff are provided with the appropriate level of guidance in relation to these policies and procedures,and our senior managers are responsible for ensuring systems and controls in place are robust, and remain adequate to identify and prevent or manage any conflict that may arise.

We maintain an up-to-date register of all conflicts and how these are managed so we control potential conflicts and provide an effective way of preventing clients' interests being unfairly affected. This Register receives regular input from the Board and senior management team.

These policies and procedures are reviewed at least once a year.

3.1.2 Information barriers

All staff must respect the confidentiality of client information and not disclose it or use it inappropriately.In the general course of business. SIM is not likely to come into possession of price-sensitive information.

3.1.3 Separate functions

We have a division of duties to ensure a separation of tasks between specific administration functions that could contain a potential conflict. Related tasks are undertaken by different team members and receive the appropriate supervision and sign off.

3.1.4 Remuneration

All employees are paid by basic salary. Pay and bonuses are linked to a range of relevant factors and the Board ensures any incentives are consistent with the provision of fairness and do not create conflicts.

3.1.5 Inducements

Except where the FCA's rules permit, SIM may only accept or pay inducements from or to third parties if:

- the inducement enhances the quality of the service provided to the client and does not impair our ability to act in the best interests of our clients; and
- the inducement is disclosed to the client.

3.1.6 Personal Account Dealing

To prevent conflicts arising from the use of information obtained from clients, or market abuse in general, all employees are subject to personal account (PA) dealing rules which govern the process they must follow if they wish to make personal investments.

3.1.7 Outside Business Interests

All employees are subject to an Outside Business Interests Policy designed to avoid conflicts of interest with activities they undertake outside SIM.

3.1.8 Gifts

As part of our commitment to avoiding conflicts of interest, SIM will only accept gifts in accordance with our policies and procedures in relation to gifts and benefits.

3.1.9 Confidentiality

In line with our Data Protection Policy and our operational procedures, all information is treated as confidential. Some information (i.e. sensitive data) may only be disclosed to employees where this knowledge is required for the performance of their duties.

3.1.10 Disclosure

If there is no other way of managing a conflict, or where the measures in place do not sufficiently protect the client's interests, the conflict will be disclosed to the client to allow for an informed decision on whether the client wishes to continue using our service in spite of the conflict.

Where we are required to make such a disclosure, we will ensure it is provided to the relevant client in writing, and that the disclosure contains sufficient detail of the conflict, taking into account the nature of the client in question. The disclosure will explicitly state that SIM's administrative arrangements are not sufficient to ensure, with reasonable confidence, that the potential risk of damage to the client will be prevented.

3.1.11 Declining to act

SIM may decline to act for a client in cases where it believes that the conflict of interest cannot bemanaged in any other way.