NIKKO ASSET MANAGEMENT EUROPE LTD
CONFLICTS OF INTEREST POLICY

Last Reviewed February 2020
Last Revised February 2019
A. Background

The content of this Conflicts of Interest Policy has been designed to meet the requirements under SYSC 10.1.11R and seeks to provide a high level overview of how conflicts of interest can arise in our business and how they are managed.

Fundamental to Nikko Asset Management Europe’s (Nikko AME) duty of care to its clients, it will use all appropriate steps to prevent conflicts of interest where possible. However, in recognizing that conflicts of interest are inherent to asset management business Nikko AME is required to identify conflicts, effectively manage and to treat all customers fairly.

Where these arrangements are not sufficient to ensure with reasonable confidence that the risk of damage to client interests will be prevented, Nikko AME shall, as an option of last resort, disclose the conflict to the client before undertaking business on its behalf.

For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing a service and whose existence may entail a material risk of damage to the interests of a client, Nikko AME must take into account, as a minimum, whether itself or its directors, managers or employees (or any other person who is involved in providing services related to regulated activities to Nikko AME), 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 a client;
- has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client’s interest in that outcome;
- has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client; or
- receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits, other than the standard commission or fee for that service.

A conflict of interest may result from Nikko AME or person providing a service in the course of carrying on regulated activities or ancillary activities or engaging in any other activity.

Nikko AME is a member of a larger group and hence its conflicts of interest policy must also take into account any circumstances which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the group.

Finally, Nikko AME is required to maintain a clear and detailed map of its conflicts and corresponding preventative measures. This map is regularly updated and approved by Nikko AME’s Board.

B. Introduction

What is the purpose of the Policy? We value our relationship with all of our portfolio management clients and we strive in all cases to act fairly and reasonably in carrying out investment transactions for and on behalf of our clients.

The purpose of this Policy is to summarise the potential conflicts of interest arising in the conduct of investment business by Nikko AME that could present material risk of damage to the interests of Nikko AME’s clients in the absence of Controls. The conflicts of interest are:

(a) between Nikko AME and/or its employees and clients;
(b) between one client/group of clients and another client/group of clients and,
(c) as a result of the structure and business activities of Nikko AME or its relationship with its affiliated companies; and the key Controls.

The conflicts of interest and the Controls are summarised in section 3 below.

In addressing any situation of conflicts of interest, Nikko AME’s overriding principle is to act in the best interests of its clients. Nikko AME’s approach to managing or dealing with conflicts is to incorporate the required detailed Controls within specific policies, processes and procedures relating to the relevant subject matter/activities. Consequently, each of the conflicts (and related arrangements) that are summarised below, are subject to separate detailed individual policies and/or procedures.

**When does the Policy apply?** The Policy applies when Nikko AME in the performance of investment management activities and services encounters an actual or potential conflict of interests between itself and any one of its clients and between one client and another.

**How often will we update the Policy?** The Conflicts Policy is reviewed at least annually to ensure that the potential conflicts and controls remain applicable. Potential new conflicts are considered as part any new business development and/or business process changes.

**How can you obtain the most recent version of the Policy?** If you would like to receive a copy of the most recent Policy, please contact us in the manner described below.

**How do you contact Nikko AME in connection with this Policy?** If you have queries about the Policy, please contact any of the individuals listed below:

UKCompliance@nikkoam.com

C. **Identification of Conflicts of Interest**

A non-exhaustive list of common conflicts of interests, arising in the conduct of Nikko AME’s discretionary investment management activities, are summarised below. The Controls are designed to demonstrate that robust processes are in place to reduce the possibility of material risk of damage to the interest of Nikko AME’s clients.

**Affiliated Companies**

**Potential Conflicts:** In undertaking business for its clients, Nikko AME’s dealings or other arrangements with affiliated company’s present possibilities for Nikko AME to treat its affiliated companies more favourably than unaffiliated clients.

From time to time Nikko AME provides investment recommendations to an Affiliate. There is the potential for Nikko AME to front run these recommendations.

Where Nikko AME is the investment manager and an Affiliate is used for placing deposits, pricing or valuation of securities and investments, execution and clearing of transactions or stock lending (e.g. Custodian).

**Broker/Counterparty Selection**

**Potential Conflicts:** Activities and roles of employees involved in making investment decisions and/or monitoring investment restrictions, investment risk or arranging execution of client trades could present possibilities for such employees to favour or disadvantage one or more clients and to gain financial benefits if they were able to influence the selection of brokers/counterparties without appropriate Controls.

**Fair allocation & participation in investment opportunities**

**Potential Conflicts:** The processes involved in the research of securities, execution of trades, allocation of securities forming part of a trade and participation in new issues could result in unfair trade execution or allocation across clients’ accounts of investment opportunities and trades being executed in priority to favour one or more clients at the disadvantage of other client(s).

**Proxy voting**

**Potential Conflicts:** Where clients permit Nikko AME to exercise voting rights attached to securities held in their portfolios, the conflicts of interest include circumstances where: (i) Nikko AME manages assets for companies whose management are soliciting proxies and the failure to vote in favor of management resolutions may harm Nikko AME’s relationship with
the company. (ii) Nikko AME may have a business relationship with a proponent of a proxy proposal and may manage assets for the proponent. (iii) Any Nikko AME employee may have a personal or outside business interest in the outcome of a particular proxy matter before shareholders.

Trade Errors

Potential Conflict: Where Nikko AME makes an error whilst trading (for example a breach of a client investment restriction), Nikko AME may not promptly rectify the error and compensate the client appropriately to avoid a financial loss.

Cross Subsidization of investment research

Potential Conflict: For Nikko AME's clients, one client could benefit from research that is purchased by another client.

Outside Directorships

Potential Conflict: Employees who are portfolio managers, dealers, or who may otherwise have a position of influence within Nikko AME or who have access to client trade/portfolio information and, who contemporaneously hold similar positions with another firm(s) carries the potential for such employees being capable of using their position and information obtained from either firm to obtain financial gain or avoid a loss.

Inducements

Potential Conflicts: The giving or receiving by employees of gifts, hospitality or other benefits may constitute a material inducement to act to the advantage of one or more clients. Additionally, payments made by Nikko AME to or received from other firms for the introduction/retention of business could act to the disadvantage of one or more clients.

Price Sensitive Information

Potential Conflicts: Employees who have acquired information about a security that is not publicly available and which, if it were made public, would have a material impact on the price of that security could use or disclose such information to obtain a financial gain or avoid a loss for themselves or other persons.

Employee Personal Account Trading

Potential Conflicts: Employees who are either involved in the investment decision making for clients or who have access to information about trades effected for clients, could use such information to carry out (for themselves or other persons connected with them or over whom they have influence) transactions in the same security (or a related security) to acquire financial benefit.

Portfolio Managers who invest in funds that they manage could favour these funds over other portfolios that they manage.

D. Management of Conflicts of Interest

Some of the measures we have adopted to manage the above identified conflicts are set out below. We consider them appropriate to our efforts to take appropriate care that, in relation to each identified conflict, we act independently to avoid material risk of damage to the interests of our clients.

Policies, procedures and monitoring:

We and our Affiliates have adopted policies and procedures throughout our businesses to manage conflicts of interests. These policies and procedures will be subject to our normal monitoring and review processes.

Segregation of duties:

These are designed to ensure that clear segregation of duties is maintained between employees and processes involved in investment decision making and those involved in monitoring investment restrictions, investment risk and execution of transactions.

Execution controls:
All trades are approved and dealt by Nikko AME’s Traders. In exceptional situations where all Traders are away from the office, the deal must be approved by a second Fund Manager before the trade is executed.

**Allocation procedures:**

All trades across accounts are pre_allocated with trades that are partially filled allocated pro-rata. Compliance monitoring is conducted to ensure compliance with the FCA’s Conduct of Business rules.

**Cross-trades:**

In some instances the orders for both the purchase for one client and sale for another client of the same amount of the same security may be arranged. In such cases Nikko AME arranges the execution of both sides of the trade through an independent broker/counterparty. Such transactions are only effected where Nikko AME determines it to be in the best interest of each client and subject to the Client Mandate and all applicable regulations.

**Proxy Voting:**

Nikko AME has established a Proxy Voting Policy. The policy is designed to ensure that votes are cast in accordance with the best economic interest of clients.

**Error Reporting:**

Nikko AME requires the prompt reporting and rectification of all incidents (including trade errors). Nikko AME is required to reimburse the client for any loss incurred. The Incident reporting and investigation processes and controls in place ensure that clients are not disadvantaged by any trading error made by Nikko AME.

**Research Policy:**

The Firm has elected to pay for all third party research using direct payments by the Firm out of its own resources. This therefore, removes the conflict that one client could benefit from research purchased by another client.

**Outside Directorships:**

All employees are required to notify Nikko AME of any outside directorships in which they may hold. All outside directorships must be approved by senior management.

**Restricted Lists:**

Employees are notified of the prohibitions that apply and the legal consequences of insider dealing. Investment staff are required to make investment decisions only on the basis of information that is in the public domain. If an employee acquires (or believes they have acquired) inside information about a security or its issuer, they are required to promptly notify the Compliance Department. The Compliance Department will assess and determine any particular course of action to be taken and whether or not the security (and any related securities) is to be included on to the group wide restrict list.

**Receipt & offer of inducements:**

Employees are prohibited from offering or receiving any gift or inducement, other than certain minor non-monetary benefits as permitted by the FCA, which could conflict with duties owed to customers or compromises the independence of the recipient. In order to ensure that investment and broker selection and investment decisions are being made solely in the best interest of our clients, all Investment Personnel must disclose any Gift or Entertainment, regardless of value, received from a broker and/or dealer.

**Approval required for personal account trading:**

Subject to certain exceptions (e.g. open-ended collective investment schemes), employees are required to obtain prior written authorisation to effect a trade in a security for their own account or that of any person connected with them. A personal account trade pre-clearance request is submitted to the Compliance department for review and authorisation/denial. If permission is granted, it remains valid only for 24 hours. A contract note copy must be sent to the Compliance Department for further monitoring and recordkeeping.