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# POLICY

# CONFLICTS OF INTEREST

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**Merian**  
GLOBAL INVESTORS

The art and science of investing™

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# 1 INTRODUCTION

## 1.1 CONTEXT

The content of this Conflicts of Interest Policy has been designed to assist Merian Global Investors "MGI" in the effective management of conflicts of interest and aims:

- to identify, by reference to the specific services and activities carried out by (or on behalf of) MGI, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients;
- to specify procedures to be followed and measures to be adopted in order to manage such conflicts; and
- to communicate this information to all those who are in MGI.

It is the responsibility of all MGI employees to familiarise themselves with the policy and to report conflicts of interest in writing to the compliance department. This policy is available for client due diligence on request. MGI reserves the right to amend or supplement this policy at any time.

All employees have a direct obligation to consider any potential or actual conflicts of interest during the course of day-to-day business activities or ad-hoc project work.

## 1.2 POLICY SCOPE

The MGI group manages a broad range of funds and assets for other clients, including UCITS, AIFs and segregated mandates. This policy refers to "clients", which includes UCITS, AIFs and segregated mandates. Where an entity within the MGI group is an AIFM, that entity is also required to apply this policy in respect of the investors in the AIFs it manages. Where appropriate, this policy should be read as including investors in AIFs where appropriate. This policy applies to all entities within the MGI group.

# 2 POLICY

## 2.1 REGULATORY BACKGROUND

The Senior Management Arrangements, Systems and Controls Sourcebook requires firms to manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

## 2.2 IDENTIFYING CONFLICTS

The provisions require firms to take all appropriate steps to identify and prevent or manage conflicts of interest between:

- MGI (extending to all relevant persons which include employees, their family, friends and business associates), and a client of MGI; or
- One client of MGI and another client;

that arise or may arise in the course of the firm providing any service, including those caused by the receipt of inducements from third parties or by the firm's own remuneration and other incentive structures.

A record of business related and employee related conflicts are retained within the MGI Conflicts of Interest Register. The registers outline the nature of the conflict and the controls in place to manage such conflict. The conflicts and supporting controls are reviewed by each business unit on a quarterly basis and each control is

rated by design adequacy and operating effectiveness. The results are aggregated up and included within the conflicts register in order to provide a firm wide view.

The register is reviewed by the MGI Risk and Governance Committee on a quarterly basis to assess the risk of each conflict and to ascertain whether the controls in place to manage such conflicts continue to be robust.

## 2.3 TYPES OF CONFLICT

Regulatory obligations require that, for the purposes of identifying the types of conflicts that arise, or may arise, in the course of providing a service and whose existence may damage to the interests of the client, MGI must take into account, as a minimum, whether the firm or a relevant person, or a person directly or indirectly linked by control to MGI;

- 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 a service provided to the client or of a transaction carried out on behalf of the 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 monies, goods or services, other than the standard commission or fee for that service.

Circumstances in which conflicts of interest could arise, and are applicable to MGI's day to day business, include:

- Misuse of information;
- Personal interests in funds;
- Personal account dealing;
- Inducements including the payment for research;
- Trade allocations;
- Remuneration or other incentive structures;
- Product manufacturing activities; and
- Disparity between performance fees for different funds.

## 2.4 MANAGING CONFLICTS

MGI must maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to prevent conflicts of interest from adversely affecting the interests of its clients. These arrangements include:

### a) **Corporate governance**

MGI, through its regulated entities, is separately regulated and supervised. As such it has its own Board, with independent Non-Executive Directors, which has primary responsibility to establish and

oversee the operation of systems and controls to identify and prevent or manage conflicts of interest.

MGI has robust corporate governance arrangements in place. Key business decisions are taken by the MGI Executive Committee.

MGI has standard employment terms and conditions governing employee conduct, including compliance with key policies such as personal account dealing and inducements, which assist in the mitigation of conflicts of interests.

The structure of MGI includes clear and defined reporting lines with appropriate segregation of duties to help reduce the risk of conflicts occurring.

The Compliance function reports into the Chief Risk Officer.

**b) Insider dealing conflicts**

MGI has controls in place to help minimise the risk of insider trading occurring. Stocks on which MGI is 'inside' are added to the Stop List and cannot be traded until the inside information has been released to the market.

**c) Allocation of trades**

All trades across accounts are pre-allocated with trades that are partially filled allocated pro-rata. Compliance monitoring is conducted on a monthly basis to ensure compliance with conduct of business requirements.

**d) Investment process and pre-trade controls**

The investment process for MGI hedge funds is, in many cases a simple extension of long only funds managed by the same desk and the difference lies in the portfolio construction (sell short rather than go underweight) and risk controls. Investment mandates and processes are documented and electronic monitoring via the firm's order management system ensures both are adhered to.

There is an internal rule within MGI which prohibits any one management team 'shorting' a security whilst another portfolio managed by that team holds (and intends to continue to hold) a long position in that security. In instances where a fund holds a long position within the funds benchmark index but is underweight relative to the benchmark, short positions should be permitted within the same team as directionally the same negative view is expressed.

For the avoidance of doubt, this prohibition does not apply where the portfolio holding the long position is managed on a quantitative basis.

**e) Use of client dealing commissions**

Transaction cost analysis tools are used to monitor execution costs with additional best execution testing occurring.

**f) Disclosure of personal conflicts**

Employees are required to disclose any actual or potential conflicts of interest. Disclosure of conflicts must be made to the compliance department promptly and in writing. The compliance department will consider the conflict and either approve or prohibit the activity, dependent on whether the conflict can be appropriately managed. All details will be recorded within the MGI conflicts register.

**g) Inducements**

Employees are prohibited from offering or receiving any gift or hospitality which could conflict with duties owed to customers or compromises the independence of the recipient.

MGI accepts certain types of minor non-monetary benefits which are of a scale and nature that do not impair compliance with MGIs duty to act in the best interest of its clients and meet the criteria set by the conduct of business sourcebook.

The MGI inducement policy requires all employees to disclose any inducements offered or received. Any inducement with a value of £20 or greater must be pre-authorised by the Compliance department.

Prior to the offering or receiving of any gift or hospitality, employees must consider whether this would impair the ability to act in the best interests of clients.

Any instance of gifts or hospitality must have a legitimate benefit to the end client.

#### **h) Remuneration**

MGI remuneration is governed by the MGI Remuneration Policy. Remuneration allocations are based on varied criteria and are not based on performance targets alone.

#### **i) Product design**

The product design process is supported by the product validation process with the objective to provide confirmation that the investment strategy is appropriate with the investment objectives and policies stated in product literature and that any performance targets are appropriate for the target market and consistent with the risk parameters of the fund. A working group of subject matter experts, reporting to the MGI Quarterly Investment Committee oversee product validation.

The fund board/authorised corporate director board are responsible for approval for all product launches and changes. Prior to board approval, the Chief Executive Officer delegates authority to the MGI Product Executive Committee to provide business approval for product launches and changes.

#### **j) Research procurement**

Research purchased by MGI (UK) investment desks is paid for via MGI's profit and loss account. The research procurement policy and supporting framework prohibits the receipt of any unsolicited research to mitigate the risk of inducement.