HARGREAVEHALE

Conflicts of Interest (CoI) Policy Statement

January 2011

Introduction

The Directors of Hargreave Hale, Management and Staff have a responsibility to comply with the FSA rules and principles.

FSA Principle 8 says "Conflict of interest: A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client."

FSA rules say that "a firm must take all reasonable steps to identify conflicts of interest between:

(1) the firm, including its managers, employees and appointed representatives or tied agents, or any person directly or indirectly linked to them by control, and a client of the firm; or
(2) one client of the firm and another client; that arise or may arise in the course of the firm providing any service …."

Since assuming its powers in December 2001, FSA has repeatedly made it clear that it is important firms consider all their clients, especially retail/private clients, when conflicts of interest occur, all conflicts are identified, assessed, managed and disclosed.

The Directors fully support this initiative and are committed to ensure that all conflicts between the firm and its clients, and between clients, are managed fairly with no party disadvantaged. In addition to complying with the FSA requirements the Directors recognise that handling conflicts fairly is a fundamental element of good business practice and is required to assist in maintaining and developing the firm's business.

The Directors consider that this Policy sets out our high level controls which are appropriate for the size and organisation of the firm, and the nature, scale and complexity of our business. There controls are detailed in various internal documents, most notably our Compliance Manual and Procedures Manuals.

Types of Conflicts

This policy applies to conflicts which arise or may arise, in the course of us providing our services, which may entail material risk of damage to the interests of a client. This may be because either Hargreave Hale, one of our officers or employees, or in some instances one of our associates, contacts or clients:

- May 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 own 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.

Therefore, conflicts of interest may include but are not restricted to the interests between:

- The firm and its clients
- The firm's employees and its clients
- The firm's business units and clients
- Two or more different clients
- Third-parties and clients
- New services/products and the firm's clients
- Strategic change and clients

Higher Conflict Risk Areas

The Board recognised that in the context of the wider financial market, Hargreave Hale does not represent a high risk firm in respect of conflicts because the firm does not undertake activities such as corporate finance, investment research or proprietary trading which usually present higher risk.

The Board had identified that within Hargreave Hale, the following areas which may present a higher risk to clients' interests by virtue of actual or perceived conflicts existing. The Board has also implemented appropriate procedures, as summarised below, to manage this conflict:

Remuneration Policy and Charging Structure

Our Account Executives remuneration may be directly or indirectly related to the income generated by the clients whose accounts they look after. We control this by monitoring and supervising their activities which includes reviewing the advice given to clients, the frequency of transactions and portfolio performance.

During the course of our business we may also pay or accept fees or commissions in either monetary or non-monetary form, as a course of carrying out business on your behalf. Further information on any particular arrangement or payment is available on request.

Unit Trust Management and Product Sales

When we recommend a unit trust to you, or invest in a unit trust on your behalf, we may be acting as an adviser to the trust, in addition to acting for you, our client. You should be aware of our dual role, because of the conflicting interests this causes.

Where we act as adviser to a unit trust we receive income from the unit trust based on the value of the fund.

Where you buy a 'product' such as unit trust through us we may receive income from the product provider, or unit trust manager, for that sale. The value of the income is usually a percentage of the value of the investment, for unit trusts this is usually in the form of trail commission of up to 1% per annum of the value of your investment which is paid out of the management charge deducted from your investment on a regular (usually annual) basis.

We control the sale of products by maintaining an internal recommended list of 'approved' products. This list is maintained by senior management and is based on a number of factors including financial performance, but excluding commission rates. When retail clients are advised to buy unit trusts, our Account Executives issue a letter explaining their advice, this letter is usually subject to managerial review.

Allocation of New Issues

When a new investment becomes available, there may be demand which outstrips the available supply causing conflicting interests between clients. We have established procedures for allocating all new issues to ensure that discretionary clients are treated fairly. Because of the sensitivity of information relating to these issues, we do not normally inform clients about these offerings.

Personal Account Dealing

Our employees may buy, sell or hold the same investments as our clients. We control personal account deals by ensuring that all such deals are identified and where applicable approved by management prior to execution.

Investment Bulletin

Our bulletin may include recommendations on specific companies. Where it does, we monitor activity in that company's securities in the period before publication, to ensure no unfair advantage has been taken. We also do not permit personal account dealing immediately after publication, to give clients the first chance to react to the recommendation.

Agency Cross Trades

There may be times when we have clients who want to both buy and sell the same security. In which case we may effect the transaction between the clients. Such transactions are subject to managerial approval.

Group Status

Although Hargreave Hale is considered as part of the Investec Group, by virtue of Investec's holding of approximately 35% of the share capital, the Directors of Hargreave Hale consider the firm to operate sufficiently independently to be considered as separate from all Investec companies in respect of conflicts affecting clients of Hargreave Hale.

Managing Conflicts

All material potential and actual conflicts between the above must be identified, assessed and managed. The management on conflicts involves taking all reasonable steps to prevent conflicts from giving risk to a material risk of damage to the interests of our clients, through maintaining and operating effective organisational and administrative arrangements. Where conflicts are identified as having arisen the firm will seek to manage control them as appropriate in the circumstances. Our approach to managing conflicts includes the following procedures and principles:

- Where possible, client's interests will at all times be protected and preferred to the firm's interests.
- Client's interests where possible will at all times be protected and preferred to third-parties interests.

- Where conflicts between clients arise the firm will attempt to either treat both clients equally where possible or apply a rational solution and method designed to produce a fair outcome for our clients.
- The firm operates a 'Policy of Independence'. All Account Executives and Dealers, who have a direct contact with clients, should disregard any material interest or conflict of interest when advising or exercising discretion for clients. Clients must be given best advice.
- Conflict of Interest issues are disclosed, advised, controlled and guidance given to both clients and staff in various HH documents including Client Agreements, Staff Manual, Compliance Manual and other policy documents including HH Research Policy and Treating Customers Fairly Policy.
- The firm operates a policy of transparency through disclosure.

How the CoI Policy is Implemented

The firm has included CoI in the terms of reference of the Executive Committee. This committee's role is to ensure conflicts are considered in decisions made at senior management level and annually review the conflicts risk assessment (formerly mapping and gap analysis) to ensure that risks are identified and appropriate internal controls are in place. This committee is also responsible for ensuring that the following steps are carried out:

- That the key requirements of ensuring CoI are identified and that the firm's actual activities are compared to these requirements.
- That any required action identified by the review is considered by Senior Management.
- That the changes made to the firm's activities embed the CoI principle throughout the firm.
- That the Board receives relevant information to allow it to determine if CoI is being implemented.
- That all the CoI controls and procedures are regularly monitored and reviewed.

This policy will be reviewed annually by the Board or as necessary where we think particular issues or developments warrant consideration in this policy.