

# Conflicts of Interest Policy - EXTERNAL

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global investment management

# Table of contents

1	Purpose and Scope .....	3
2	Identifying Conflicts.....	3
3	Managing Conflicts: Momentum GIM procedures.....	3
3.1	Policy of independence.....	3
3.2	Disclosure .....	4
3.3	Refusal to act.....	4
3.4	Chinese walls.....	4
3.5	Remuneration .....	4
3.6	Training.....	4
3.7	Record keeping / obligation to report .....	4
4	Possible Conflicts Arising and Mitigations.....	5
4.1	Profits and losses incurred as a result of errors .....	5
4.2	Employee personal account dealing .....	5
4.3	Financial promotions.....	5
4.4	Fee and cost disclosure .....	5
4.5	Rebates.....	5
4.6	Commission arrangements .....	6
4.7	Gifts, benefits or inducements .....	6
4.8	Segregation of key functions .....	6
4.9	Direct trading exposure.....	6
4.10	Client order and aggregation .....	7
4.11	Best execution .....	7
4.12	Proxy voting arrangements .....	7
4.13	Insider trading .....	7
4.14	Multiple responsibilities for different entities with distinct interests.....	7

## **1 Purpose and Scope**

The policy of Momentum GIM relating to conflicts of interest has been drafted to meet the FCA guidance as set out in SYSC 10.1.9 to 10.1.12 and Article 34 of Commission Delegated Regulation (EU) 2017/565, referred to as the “**MiFID Org Regulation**” by the FCA. These regulations require that:

(1) An investment firm must establish, implement and maintain an effective conflicts of interest policy that is set out in writing and is appropriate to the size and organisation of the firm and the nature, scale and complexity of its business.

(2) Where the firm is a member of a group, the policy must also take into account any circumstances, of which the firm is or should be aware, 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.

Momentum GIM's policy on conflicts of interest is communicated to all new members of staff when they join the company via the Momentum GIM Compliance Manual and Staff Handbook. The manual requires that *"clients' interests are put first and that employees disregard any other relationship, arrangement, material interest or conflict of interest which may influence any service which the company may provide to a client"*.

Similarly, Momentum GIM's Personal Account Trading Policy (“**PA Dealing Policy**”) requires that employees act according to the highest ethical standards and practice, and that they seek to minimise the risk of conflicts of interests with clients, the misuse of privileged or confidential information, or any involvement in insider trading, market abuse or interception of corporate opportunities. To ensure that the above is achieved, all employees are expected to comply with the spirit and intention of the PA Dealing Policy, as read with the Compliance Manual and Staff Handbook.

## **2 Identifying Conflicts**

In seeking to identify all possible conflicts that may arise in the delivery of our services, Momentum GIM considers the following in relation to our business activities and the activities of our staff:

1. conflicts between the firm (including its staff and related parties) and a client; and
2. conflicts between one client of the firm and another client of the firm.

In applying the above relationships to our business activities (or the activities of our staff), it is worthwhile to identify specific factors which may indicate the occurrence of a conflict of interest:

1. financial gain or loss at a client's expense;
2. an interest in the outcome of service or transaction which is distinct from the client's interest;
3. the existence of a financial or other incentive that favours the interest of one client over that of another;
4. all instances where the firm or a representative is in competition with the client; and
5. the receipt of an inducement from a third party which is beyond that of normal commissions or fees payable by law or under contract, or contrary to what has been disclosed to the client.

## **3 Managing Conflicts: Momentum GIM procedures**

Momentum GIM will always attempt as far as possible to manage any identified conflict of interest by imposing actions designed to mitigate the risk of any of our clients receiving unfair treatment. These policies of mitigation will not only consider the treatment of client interests in relation to the interests of the firm and its employees, but also the treatment between clients.

### **3.1 Policy of independence**

Momentum GIM expects employees to act independently in the face of an identified conflict of interest that may arise between Momentum GIM and one or more clients, and/or between clients. This requires that the employees:



1. be competent to identify conflicts that may arise in the conduct of their normal work responsibilities;
2. desist from treating a client in a manner that unfairly favours or prejudices that client based on specific information held about Momentum GIM or another client. Accordingly employees must in these circumstances formally disregard such information about Momentum GIM, other client relationships, or their own interests in the performance of their duties to the client; and
3. promptly notify the Compliance Department ("**Compliance**") where there is any uncertainty as to the existence of a perceived conflict or as to how to deal with a conflict in accordance with this policy of independence. Compliance will then be in a position to give the employee the necessary guidance thereon.

### **3.2 Disclosure**

This is used as a measure of last resort, where the effective organizational and administrative arrangements are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of client will be prevented. Momentum GIM will consider disclosing the conflict of interest to one or more affected clients in circumstances where this is merited. The decision on whether or not it is pertinent to make a disclosure to the client will be made jointly by the CEO and Head of Compliance. All disclosures must be detailed and in a durable medium such that the client may make an informed decision whenever such a conflict may arise, setting out the arrangements that were in place to mitigate conflicts and the specific description of the conflict that is being disclosed. Such disclosure must be made in a manner appropriate to the client. From the information provided the client should be able to make an informed decision.

### **3.3 Refusal to act**

In cases where Momentum GIM considers that it has encountered a conflict of interest (in relation to a new client, proposed mandate, client request or other circumstance) that it is unable to mitigate or manage without risk to one or more clients, Momentum GIM's CEO, together with the Head Compliance will notify the client in writing that it is unable to provide the requested services to a client on suitable grounds appropriate to the circumstances.

### **3.4 Chinese walls**

Chinese walls are artificial barriers to the flow of information between different functional areas within companies or groups of companies. Momentum GIM currently operates a Chinese wall between our UK investment management activities and the investment management activities carried out in South Africa by other companies within the MMI Group.

### **3.5 Remuneration**

To mitigate conflicts of interest, MGIM has a remuneration policy for persons involved in the provision of services to clients aiming to encourage responsible business conduct, fair treatment of clients as well as avoiding conflict of interest in relationships with clients.

### **3.6 Training**

Training on this policy forms part of the induction process for all new employees. All existing employees receive regular training on how to implement and adhere to this policy as part of the annual training provided Compliance.

### **3.7 Record keeping / obligation to report**

Momentum GIM requires all employees to report identified client conflicts of interest to Compliance. The Compliance Manual refers employees to the firm's Conflicts of Interest Policy to ensure that employees act in an appropriate manner to facilitate the effective management of conflicts. Employees are required to notify Compliance if they suspect a situation giving rise to a potential conflict of interest. Compliance will then give due consideration to the circumstances on a case by case basis, before determining if it is in fact a conflict of interest to be logged in the company's register of conflicts, and how best to manage it. Compliance will seek to promptly respond to the staff member from whom the notification originated. Occurrences recognised by Compliance to represent conflicts of interest over and above those stated herein will be added to the firm's internal conflicts register. The register will be reviewed annually and will

be utilised to update this policy as may be required. This policy and its updates will be distributed to all Momentum GIM clients upon client take-on or as may be requested from time to time.

## **4 Possible Conflicts Arising and Mitigations**

### **4.1 Profits and losses incurred as a result of errors**

Where an investment manager operates investment discretion, a scenario may occur where a profit is received as a result of an erroneous holding, or a dealing error.

*Policy/Mitigation: Momentum GIM will always aim to act in accordance with Principles Six and Eight of the FCA's Principles for Business (A firm must pay due regards to the interests of the customer and treat them fairly & a firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.) Further information on Momentum GIM's treatment of profits and losses incurred as a result of errors and breaches are contained in our Breaches and Errors Policy which is available on request.*

### **4.2 Employee personal account dealing**

There is a risk that employees of Momentum GIM could have a similar holding of assets in their personal account ("PA") as that held by a client, or else hold a contrary exposure or interest to the client's interest. In these circumstances no employee actions/omissions are permitted that will in any way prejudice the client's position or be at the Client's expense. This type of scenario would include occasions where:

1. client's assets are traded in an attempt to influence price;
2. PA assets are traded before client assets (front running);
3. investment research may be published on securities which the researcher holds in a PA; and/or
4. investment staff receive gifts of a monetary value from a third party in an attempt to influence the selection of broker/counterparty or other interaction.

Conflicts can similarly arise where employees devote too much time to their own dealing arrangements thereby resulting in client portfolios being in any manner neglected.

*Policy/mitigation: personal account trading of staff members is captured by Momentum GIM's policy on personal account dealing, requiring scrutiny and pre-authorisation by senior management, prior to engaging in a trade for their own account.*

### **4.3 Financial promotions**

A possible conflict exists in the production of literature intended for client communication. As the firm receives revenues based on assets under management, the risk that financial promotions may be unfair or else misleading needs to be addressed by implementation of appropriate client safeguards.

*Policy/mitigation: all documents and templates issued by Momentum GIM to our clients and affiliated intermediaries are checked for accuracy to ensure that our communications are clear, fair and not misleading.*

### **4.4 Fee and cost disclosure**

There is a risk that a firm may not fully disclose its costs to clients, and that it may accrue commissions without the client's full and prior knowledge.

*Policy/mitigation: Momentum GIM fully discloses its fees applicable to its clients within its investment management agreements.*

### **4.5 Rebates**

There is a risk that the investment manager may benefit financially via a rebate agreement.

*Policy/mitigation: Momentum GIM do not benefit from rebates or fee waivers that it may receive except as may otherwise be agreed in writing with the client concerned.*

#### **4.6 Commission arrangements**

Under MiFID II, Momentum GIM require sub-investment managers (SIMs) to confirm that they have a research budget in place and a process to account for it and value it; and that research costs are unbundled.

Under the FCA Inducements rules, it is no longer possible to receive benefits, including research, from third parties for 'free' or where the cost of the research is included in the dealing commissions paid by clients to brokers. According to the FCA, these changes are designed to ensure:

- investment firms account for third party research as a fixed, predictable cost, not linked to execution costs or charges or subsidised through other services
- research becomes a core management cost or is fully transparent to underlying investors, removing the inducement and conflict of interest risk for firms
- a transparent, priced research market emerges where recipients and providers establish upfront pricing based on agreements linked to the quality and quantity of goods and services to be supplied, and the expected benefit to investors

Research provides important input into investment decisions taken for clients and therefore Momentum GIM may wish to continue to receive research from third parties.

*Policy/mitigation: See the separate Inducements and Research Policy.*

#### **4.7 Gifts, benefits or inducements**

There is a risk that an investment manager may be influenced in their choice of trading counterparty or broker through the receipt of inducements beyond those felt to be permissible in fostering good relations. Other situations giving rise to similar conflicts of interest may arise pursuant to the standards and principles set under the Bribery Act 2010.

*Policy/mitigation: The purpose of the company's gifts and entertainment policy set out in the Compliance Manual is to restrict and monitor the giving or receiving of gifts or entertainment which may appear to have the prospect of influencing the behaviour of the recipient in a way that may compromise the company's reputation or be in breach of FCA Rules.*

#### **4.8 Segregation of key functions**

There is a risk that the control environment of Momentum GIM may be compromised by an individual staff member performing several of the key functions in a transaction process, e.g. relating to authorisation, execution, confirmation and/or settlement of trades. The decision to invest and the resultant trade must be premised on sound investment procedures that exclude the company placing investments for motives other than those of the client's best interest. An erosion of our control environment would be adverse to the best interests of the clients whose assets we manage. An example of this would be a staff member reviewing and authorising his own trades, or a compliance/internal audit staff member having an involvement in the operations being reviewed.

*Policy/mitigation: Momentum GIM maintains a sensible segregation of duties to avoid risks inherent in the trading activities based on the size and nature of Momentum GIM's activities. Investment instructions are subject to a "four eyes" requirement of being signed off by two investment managers. Moreover investment management and dealing areas are properly segregated from one another, as with trading on the one hand and cash management on the other (e.g. reconciliation and settlement). Additional controls are instituted that are considered adequate for the size of our operations. Staff employed in regulatory oversight and review roles must have no operational responsibilities.*

#### **4.9 Direct trading exposure**

It is possible for an authorised firm acting as investment manager to have an interest on the other side of a trade from the client.

*Policy/mitigation: Momentum GIM are not authorised to deal as principal and will not directly trade with a client as counterparty. In its capacity as investment manager, Momentum GIM always acts as an agent on behalf of the client.*

#### **4.10 Client order and aggregation**

Trade order priority and trade aggregation and allocation are issues that may cause conflicts of interest between an investment firm and its clients. Firms should take great care to ensure that they do not unfairly favour one client account over another.

*Policy/mitigation: Where the dealing desk receives an instruction to execute transactions in the same instrument for more than one client, the transactions will be aggregated where possible. Should the transactions not be executed in full, the executions will be allocated to clients in proportion to the size of their intended transactions.*

#### **4.11 Best execution**

Inducements or other incentives received by a staff member may introduce a conflict in selecting brokerage/counterparties, leading to a failure to achieve the best possible execution for our client assets.

*Policy/mitigation: Momentum GIM implements trading according to its own Best Execution Policy.*

#### **4.12 Proxy voting arrangements**

There is a risk that the interests of the firm may be different to the interest of the underlying client in the exercise of proxy voting. It is also possible that a conflict of voting interest may arise between different clients.

*Policy/mitigation: in carrying out proxy voting arrangements, Momentum GIM seeks to consider the interests of the client in preference to the firm's interests. Momentum GIM are appointed as the oversight manager for SICAV clients. Contractual documents with our sub-investment managers require that they exercise proxy voting procedures in accordance with specified procedures. . The MGIM proxy voting policy sets out the considerations and circumstances when MGIM will vote. Details of our policy and voting records are included in our annual Stewardship report which is submitted to the Financial Reporting Council and published on our website.*

#### **4.13 Insider trading**

There is a risk that a staff member may become party to material non-public price sensitive information and use the information for own use or the use of the firm or a third party.

*Policy/mitigation: Momentum GIM's Compliance Manual provides staff with details relating to insider dealing and market abuse, and similar references are found in the PA Dealing Policy and Market Soundings Policy. Staff are thus briefed on the company's policies for the treatment of material non-public price sensitive information and the penalties applicable to misuse of this information under the Criminal Justice Act of 1993 and the FCA's Market Abuse regime.*

*Should any staff member become a party to material non-public price sensitive information the Compliance department should be notified immediately. The details will be recorded on a "restricted securities list" and a prohibition placed on dealing for clients. All requests for permission to place a trade for an employee's personal account are reviewed against the restricted securities list by Compliance.*

#### **4.14 Multiple responsibilities for different entities with distinct interests**

There is a risk that Momentum GIM staff members are deployed to positions of responsibility to other affiliated legal entities which may have conflicting interests to those of Momentum GIM. An example of this would be Momentum GIM staff members being appointed to the boards of related client entities e.g. the SICAV-SIF boards, the Momentum Wealth International ICC board or a subsidiary board.

*Policy/mitigation: All fund board members are bound by the relevant directors' code within the jurisdictions concerned and are expected to always act in the interest of the entity they represent rather than in the interests of Momentum GIM. To mitigate this potential conflict, this policy predicates that all employees acting as board members are required to disregard the interests of Momentum GIM as a management company and to make the interests of the entity for which they act as a director, their sole concern when making decisions. In cases where, in the opinion of the employee concerned, he/she is unable to act impartially and wholly in the interests of the entity concerned, such situation should be referred to the Momentum GIM Compliance Officer to investigate and appropriately resolve in liaison with the Company's senior management.*