

Castlebay Conflict of Interest policy

31st December 2022

Conflicts of Interest

Under FCA's Principle for Business, Principle 8 (Conflicts of interest) we are required to pay due regard to the interests of each client and to manage any conflicts of interest fairly, both between our firm and our clients and between a client and another client. The specific rules for dealing with conflicts of interest can be found under the Senior Management Systems and Controls (SYSC) rules which can be found at SYSC 10.

Purpose of the Conflicts of Interest Policy

- a) To identify any potential circumstance which may give rise to conflicts of interest, and which pose a material risk of damage to clients interests;
- b) To establish appropriate mechanisms and systems to manage those conflicts; and
- c) To maintain systems in an effort to prevent actual damage to clients interests through the identified conflicts;

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

What is a Conflict of Interest?

Conflicts of Interest appear in situations where our firm:

- a) Is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- b) 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;
- c) Has a financial or other incentive to favour the interest of another client or group of clients over the interests of a client;
- d) Carries on the same business as a client; or
- e) Receives or will receive from a person other than a 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.

Conflicts of interest may therefore include but are not restricted to interests between:

- Our firm and our clients
- Our staff and our clients
- Two or more different clients
- Third parties and our clients
- New services / products and our clients
- Strategic changes and our clients

We have sought to identify conflicts of interest that exist in our business and have put in place measures we consider appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on our clients. The conflicts identified include:

Portfolio Management

1. Client Orders

In order to ensure as fair treatment as possible for clients, our Best Execution Policy requires us to take all reasonable steps to achieve the best overall trading result for clients.

On some occasions client orders may have a material effect on the relevant securities price. In order to ensure our staff do not take advantage of the situation by dealing on their own account (Personal Account Dealing) or encourage a third party to deal, we operate a 'No front running' policy whereby client orders will always take priority. We regularly monitor business transactions in order to ensure we meet these requirements.

2. Investment in the VT Castlebay UK Equity fund

Castlebay private clients are invested in the Castlebay fund as part of a balanced, multi-asset portfolio. Conflicts could include not maintaining a balanced portfolio by raising cash for client withdrawals from all assets excluding the Castlebay fund. This is prevented with portfolios monitored at Board level monthly to ensure they remain balanced. All deals are checked pre and post transaction by a partner not involved in the instruction.

3. Personal Account Dealing

Our staff 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. All staff, irrespective of their position in the firm sign on an annual basis to confirm their understanding of our procedures.

4. Inducements to staff

Staff are not allowed to accept gifts, entertainment or any other inducement from any person which might benefit one client at the expense of others when conducting investment business.

Similarly our staff are not allowed to place undue pressure on clients to persuade them to trade through the firm to the extent that this gives rise to a conflict of interest between that client and another client.

5. Segregation of Duties

We strive to ensure that the performance of multiple functions by relevant persons does not and is not likely to prevent those persons from discharging any particular functions soundly, honestly and professionally. Our policies concerning the segregation of duties within the firm and the prevention of conflicts of interest are laid out below.

We are aware that effective segregation of duties is an important element in the internal controls of a firm in the prudential context. In particular, it helps to ensure that no one individual is completely free to commit the firm's assets or incur liabilities on its behalf. Segregation also helps to ensure that the firm's senior management receives objective and accurate information on financial performance, the risks faced by the firm and the adequacy of its systems.

We ensure that, in general, no single individual has unrestricted authority to do all of the following on an individual basis:

1. initiate a transaction;
2. bind the firm;
3. make payments; and
4. account for it.

Where we are unable to ensure the complete segregation of duties due to a limited staff base, we have adequate compensating controls in place including the frequent review of an area by relevant senior

managers. The firm ensures that its relevant persons are aware of the procedures which must be followed for the proper discharge of their responsibilities.

Transactions carried out on client portfolios are subject to a second partner sign off and payments made from client accounts are subject to two signatures for amounts over £10,000.

6. Remuneration Policy

Our partnership structure has been constructed to ensure that clients' interests are aligned with the long term success of the partners and partnership. Our team members are paid a salary which is not dependent on the partnership performance. The two working partners receive monthly drawings and any excess profits over and above the drawings will be paid, following the board's agreement to the partners at the end of the fiscal year. Firm revenues are derived from discretionary and fund management fees as a percentage charge on the amount of assets under management. We have the discretion to levy dealing commission on one off transactions (execution only, executries etc) which will be highlighted to clients prior to being carried out. We do not sell financial products or provide financial advice to enhance our revenue, removing any potential conflict of interest.

7. Disclosure

As a last resort, where there is no other means of managing the conflict or where the measures in place do not, in our opinion sufficiently protect the interests of the client, we will disclose clearly the conflict of interest to the client to enable an informed decision to be made by them as to whether they wish to continue doing business with us at that particular time.

8. Declining to Act

Where we consider we are not able to manage the conflict of interest in any other way we may decline to act for the client.

Managing & Disclosing Conflicts

The measures for dealing with conflicts are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence, appropriate to the size and activities of the firm and of any group to which it belongs and to the materiality of the risk of damage to the interests of clients.

Examples of procedures for managing conflicts include:

- Dealing procedures involving a pre-trade check from a second partner before being passed to the AJ Bell dealer.
- Payment procedures including call-backs to clients to confirm payment amounts and bank details and two signatures required for payments over £10,000.
- Annual accounting and compliance audits to review processes and procedures with action points acted on in a timely manner.
- Monthly Castlebay Board meetings with full disclosure of management information.
- Given the nature of our business, there is no requirement for Chinese walls and there is low risk of one of the partners being privy to inside information from which they can act. In any event the partners are aware of their responsibilities are regulated and approved persons of the Insider Dealing legislation and Anti-Money Laundering rules.
- The PA dealing policy prevents situations where the partners or employees can front run client deals with those of their own.

This disclosure will take place as follows:

- The Castlebay compliance officer will be advised of the potential conflict of interest in writing;
- We will advise any clients affected in writing, of the potential conflict of interest and ask them to provide their written consent to proceed;

- The client's written consent along with the request will be passed to our compliance officer which can then provide approval to proceed as appropriate;
- Copies of both letters, together with the written authorisation to proceed will be retained on the client file.