



**Fulcrum Asset Management LLP**

**Conflicts of Interest Policy**

May 2020

**Contents**

- 1 Introduction .....3
- 2 Application.....3
- 3 Conflicts of Interest Policy .....4
  - 3.1 Definition.....4
  - 3.2 Detailed conflicts of interest review .....5
  - 3.3 Record of conflicts and mitigating controls .....5
  - 3.4 Chinese walls .....6
  - 3.5 Disclosure .....6
  - 3.6 Redemption of Investments for Open- Ended AIF .....6
  - 3.7 Periodic review .....6
  - 3.8 What to do if you face a potential conflict.....6
  - 3.9 Declaration of external interests.....7
  - 3.10 Limitations on staff .....7
  - 3.11 Record keeping .....7
- 4 Appendix 1 – Conflicts of Interest Register .....8
- 5 Appendix 2 – Conflicts Disclosure Form ..... 11

## I Introduction

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Under Financial Conduct Authority (“FCA”) rule SYSC 10.1.10R and Article 31(1) of the delegated Level 2 Regulation (No.231/2013) (“**the Level 2 Regulation**”) under the EU Alternative Investment Fund Managers Directive (2011/61/EU) (“**AIFMD**”), Fulcrum Asset Management LLP, (“**the AIFM**” or “**the Firm**”) must establish, implement and maintain an effective written conflicts of interest policy (“**the Policy**”) that is appropriate to the size and organisation, nature, scale and complexity of its business. 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 from the structure and business activities of other group companies.

Furthermore, SYSC 10.1.6R, requires the Firm to maintain an up-to-date record of the kinds of service or activity carried out by or on behalf of the Firm in which a conflict of interest entailing a material risk of damage to the interest of one or more clients, AIFs, or investors in the AIF (in all cases, the Policy will refer to “**clients**”) has arisen, or in the case of continuing services, may arise.

FCA Principle 8 states:

“A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.”

The Securities and Exchange Commission (“**SEC**”) requires a firm to abide by a Code of Ethics and to properly exercise the fiduciary duty that it has towards its clients.

This policy sets out the principles and guidelines for identifying, managing, recording and, where relevant, disclosing existing or potential conflicts and protecting the interests of its clients.

All staff and relevant persons are responsible for identifying actual or potential conflicts of interest between the Firm and managing and mitigating those conflicts fairly and in accordance with this Policy. Any concerns or queries about actual or potential conflicts must be discussed with the Compliance Officer in the first instance.

The Compliance Officer is responsible for maintaining the Policy, the record of conflicts, monitoring adherence to the Policy and periodic reporting to senior management.

## 2 Application

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The Policy applies to the Firm, its employees, appointed representatives, relevant persons and its controllers, without exception.

This Policy should not be read in isolation and individuals should refer to the Firm’s Compliance Manual on matters related to Market Abuse, Personal Account Dealing, Gifts and Inducements where separate guidance is provided.

### 3 Conflicts of Interest Policy

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#### 3.1 Definition

A *conflict of interest* may only arise when the Firm is providing services to clients (in the course of carrying on regulated or ancillary activities).

Conflicts of interest may arise between:

- **The Firm** (its managers, employees and appointed representatives, tied agents and persons directly and indirectly linked to them by control) **and a client of the Firm.**
- **One client** of the Firm (its managers, employees and appointed representatives and persons directly and indirectly linked to them by control) **and another client.**

Conflicts of interest involve a failure by the Firm to act in the best interests of its client and will typically involve a material risk of damage to the interests of that client. Either the Firm (and connected persons or other members of the Firm's group) may gain a benefit at the expense of a loss or disadvantage to a client; or one client may gain a benefit at the expense of a loss or disadvantage to another client. When assessing a potential conflict of interest the Firm must consider whether it:

- (1) is likely to make a financial gain, or avoid financial loss, at the expense of the client;
- (2) has a distinct interest in the outcome of the service provided to the client or of a transaction carried out on behalf of the client;
- (3) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- (4) carries on the same business as the client, or
- (5) receives, or will receive, from a person other than the client an inducement in relation to the service provided to the client, in the form of monies, goods or services, other than the standard commission fee or fee for that service.

Furthermore, even if no actual conflict of interest occurs should any activity have the potential to be perceived as a conflict of interest it should be classified as such.

Examples of potential conflicts of interest may include, but are not limited to, the following;

**Misuse of information** - Individuals with knowledge of trading activity may potentially front run the dealings of the fund. Individuals may potentially misuse information obtained during the course of their employment to trade for their personal account.

**Remuneration** - Individuals may act unfairly between clients if their remuneration structure encourages them to favour one fund over another.

**Research** - Research staff may hold securities which they are recommending for inclusion in Firm portfolios.

**Inducements** - Employees could be unduly influenced by gifts from counterparties resulting in them doing business on the basis of entertainment/gifts, rather than on what would be deemed best for client.

**Allocation** - The Firm may act as a discretionary portfolio manager for more than one client or fund and issues of allocation and aggregation between the clients and funds may arise.

**Dealing Commission** - Additional costs are borne by the funds which are not demonstrated in monetary terms or two funds are paying for services which are only being used for one fund.

**Best Execution** - Risk that the Firm may get a better price for one fund than the other.

**Side Letters** - One client has a side letter in place which gives it preferential treatment over another client.

**External Interests** - Employees may have other business which would mean that they may not potentially devote enough time to the funds.

**Shared back-office and support functions** - Other Investment Management Firms with access to confidential information may misuse it or lack adequate internal controls to prevent unauthorized access to information.

**Personal interest in funds** - Staff may have a personal interest in certain funds managed by the Firm, resulting in favourable treatment being shown to such funds.

### **3.2 Detailed conflicts of interest review**

The Firm has conducted a business review to identify potential conflicts of interest within its business and establish appropriate administrative and organisational arrangements to manage those conflicts. This review has covered actual and potential conflicts between the Firm, its managers, employees appointed representatives, tied agents and any person directly or indirectly linked to them by control and client and between one or more clients.

### **3.3 Record of conflicts and mitigating controls**

A record of the Firm's conflicts and mitigating controls can be found in Appendix 1. This discloses by business service or activity the circumstances in which conflicts arise which are potentially damaging to one or more clients. It also identifies the mitigating procedures and controls the Firm has implemented in order to manage each conflict.

The Firm will use a number of administrative and organisational arrangements to mitigate any actual or potential conflicts including:

- Functional independence and separate supervision of relevant employees whose main functions involve carrying out activities or providing services for clients whose interests may conflict, or otherwise represent interests that may conflict.
- A review of remuneration arrangements in the Firm where these might give rise to conflicts of interest in relation to the activities or services provided by the relevant employees.
- Reassignment of employees to prevent or control the simultaneous or sequential involvement of relevant employees in separate services or activities where such involvement may impair the proper management of conflicts of interest.
- Policies covering gifts and entertainment, PA dealing and external interests.
- Disclosure of any personal conflicts/external appointments.
- Maintenance of the Restricted list.

### **3.4 Chinese walls**

Chinese walls involve the restriction of information flows between different parts of the same business or business group.

Where the Firm uses Chinese walls as a mitigating control it must record details of departments impacted and must maintain the controls and monitor them to ensure they remain effective.

### **3.5 Disclosure**

Where the Firm is **not** reasonably confident the mitigating controls it has implemented will prevent loss to its client(s), then the Firm is required to disclose clearly the general nature and sources of conflicts before undertaking the client business.

Disclosure does not exempt the Firm from implementing mitigating controls but should be used in those instances where the controls do not give management a reasonable level of confidence that the client will not suffer a loss from the conflict.

SYSC 10.1.8R requires that disclosure is made in a durable medium and with sufficient detail, taking the nature of the client into account, to enable them to make an informed decision about the service.

### **3.6 Redemption of Investments for Open- Ended AIF**

Under AIFMR Section 2, Article 32, an AIFM that manages an open-ended AIF shall identify, manage and monitor conflicts of interest arising between investors wishing to redeem their investments and investors wishing to maintain their investments in the AIF, and any conflicts between the AIFM's incentive to invest in illiquid assets and the AIF's redemption policy.

### **3.7 Periodic review**

As required by AIFMR Article 34, conflicts of interest will be regularly discussed at meetings of the Founding Partners and conflicts of interest entailing a material risk of damage to the interests of one or more clients will be addressed. Appropriate management information will be presented to the Partners. The Partners will, on a periodic basis, and at least annually, receive written reports on the activities described above.

The Record of Conflicts is formally reviewed at least every year and presented to the Founding partners for review and approval.

The Compliance Officer will monitor the Record of Conflicts regularly to ensure it remains up to date and the mitigating internal controls remain effective.

### **3.8 What to do if you face a potential conflict**

All employees must comply with the operating controls and procedures established in their department and recorded in Appendix 1. If you are unsure whether a conflict exists, or require guidance on the mitigating controls, consult with the Compliance Officer.

Employees must ensure that they obtain permission from the Compliance Officer prior to entering into an agreement that could potentially conflict with the Firm's duties to its fund(s) or AIF(s) or between the Firm's AIF(s)/clients. Furthermore, upon request, employees must supply appropriate information to assist in the identification of potential conflicts.

A Conflict Disclosure form is available for use where you believe you are conflicted (see Appendix 2). Complete the form and forward it to the Compliance Officer, who will review it and respond.

### **3.9 Declaration of external interests**

Each person to whom this policy applies must declare all external interests quarterly. These include:

- Directorships (paid or unpaid)
- Partnership interests
- Proprietary interests
- Consultancy arrangements
- Charitable trusteeships
- Political donations

External interest declarations will be recorded by the Compliance Officer on the appointments register.

\* For declaration of personal equity holdings please refer to the Firm's Personal Account Dealing Policy in the Compliance Manual.

\*\* For declaration of inducements and gifts please see the Firm's Inducements & Gifts Policy in the Compliance Manual.

It should be noted Compliance forms such as, Compliance attestations (which include outside business interests), PA dealing, Gifts and CPDs are now submitted online through confluence.

If individuals are in doubt as to whether a particular activity or interest requires disclosure, the Compliance Officer should be consulted.

### **3.10 Limitations on staff**

The Board reserves the right to limit staff ability to engage in external interests.

In addition, SYSC 5.1.6R to 5.1.11G require the senior management of a firm to segregate duties so as to avoid conflicts of interest. This is done at Fulcrum by setting out staff duties in job descriptions, procedure manuals and organisational charts. Ensuring these duties remain segregated is the responsibility of line managers, as advised by the Compliance Officer this is commensurate with the senior management and conduct regime.

### **3.11 Record keeping**

Upon request, employees must supply appropriate information to assist in the identification of potential conflicts.

The Compliance Officer will maintain an up to date Record of Conflicts and will maintain associated records in keeping with FCA guidelines.

#### 4 Appendix 1 – Conflicts of Interest Register

Misuse of information	Employees with knowledge of fund trading activity may potentially front run the dealings of the fund. Employees may potentially misuse information obtained during the course of their employment to trade for their personal account.	The Firm maintains a PA dealing policy and employees are not allowed to deal in relevant investments on a personal basis without pre-authorization of the Compliance Officer. In addition, the Compliance Officer will monitor all PAD against the restricted/insider lists. All employees attest to reading and understanding the policy quarterly.  No personal account dealing is allowed to take place if it is in conflict with a client's interests.
Remuneration	Investment decisions may be influenced by the Firm and/or fund remuneration structure. For example, one client may be favoured if the manager earns more performance fees compared to another.	Investment decisions are determined by the Investment Committee, models and the risk / return profile of the client, not by remuneration. Remuneration is based on the profitability of the Firm as a whole rather than a formulaic calculation based on performance of specific funds/accounts.  Remuneration structures are reviewed on a regular basis.  As part of the compliance monitoring programme, a review is carried out to ensure customers are treated fairly.  The Firm has implemented a Remuneration Policy that is compliant with SYSC 19B AIFM Remuneration Code rules which includes a remuneration deferral procedure.
Advice driven by remuneration	The Firm may give advice based on the remuneration it receives rather than in the client's best interests.	There is little or no scope for this given the centralisation and quantitative basis of the investment process at Fulcrum.  The Firm's investment advice is driven by client objectives and risk tolerance is encompassed in the relevant Investment Management Agreement. Within this constraint Fulcrum will aim for the cheapest implementation possible and will never share commissions or pay fund rebates to anyone apart from the client.
Research	Fundamental research paid for by the client may be used to others' advantage. E.g. Research staff may deal for their own benefit ahead of the client or sell to third parties permitting them to act on it also.	The Firm maintains a personal account dealing policy and asks staff to sign a quarterly declaration to confirm that they have acted in accordance with the policy and disclosed all personal account dealing accounts.  The Firm obtains holdings reports from all staff (directly from the broker) and carries out a quarterly review to ensure that all appropriate trades have been pre-approved.  The Firm does not use client money to pay for research. The Firm uses its own P&L in accordance with MiFID II.
Inducements	Excessive gifts and entertainment may unduly influence the investment manager in favour of the gift giver at the expense of the client (e.g. higher trading fees, poor execution services and prices).	The Firm maintains a strict policy concerning the giving and receiving of gifts. The Firm requires pre-authorization by the Compliance Officer of any gifts or entertainment received or given (over \$100), however all gifts are recorded. Staff are expected to be prudent in accepting hospitality.  All staff sign a compliance undertaking in this regard.  The trading team can only trade with brokers on an approved list via the broker committee.
Allocation	Where a firm has more than one client, they may unfairly allocate transactions between them.	Trades are generated by the fund models at a strategy level. For each of account (or fund) running the particular strategy, orders are raised for those accounts based on the account's size and risk profile. Where applicable, these orders are grouped together to be executed as a single trade. Once executed, the fills are allocated post-trade across the accounts (in the amounts determined earlier) using an automated algorithm that aims to give each account the average order execution level, thus ensuring fairness

		in execution over time. Compliance conducts fair allocation reviews quarterly to ensure fairness is allocated appropriately.
Scarce Capacity	The Firm may unfairly allocate scarce capacity in an investment between clients.	The Firm devises a strict allocation policy to eliminate bias and reduce scope for conflict between clients.  The Firm does not participate in IPOs.
Dealing commission	The dealing commissions may be driven by services received by the Firm at the expense of the client. Where a fund has two clients, the dealing commission may be unfairly shared (e.g. two funds paying for services which are only being used for one fund).	Disclosure in accordance with FCA rules.  The Firm does not engage in 'softing'.
Best Execution	Where a firm is incentivised to not get the best result for the client when trading. e.g. The firm is incentivised to use client's trading activity to subsidise benefits that it receives from brokers.	The Firm has a clear best execution policy which is communicated to all clients. All relevant Fulcrum employees are also aware of the policy.  Compliance conduct a best execution test every quarter.  The Firm does not engage in 'softing'.  The Firm does not have an affiliated broker.  The Firm does not charge any commission for itself in respect to its investment management activities.
Counterparty Selection	The Firm's choice of counterparties may be driven by self-interest rather than client interests (e.g. some counterparties may invest in or introduce assets to the fund as well as being the prime broker. This could mean that the Firm has been unduly influenced in choice of prime broker (including the ongoing retention of its services) because of capital they are introducing and not because of quality of service.	Prime broker and ISDA counterparty selection is primarily driven by trading coverage, financial standing, reputation, technical infrastructure and client services.  Trading counterparty selection is driven by transaction cost, reliability, technology and client services. Counterparties are integrated with Fulcrum's trading desk either using broker neutral platforms to ensure best execution (Trading Screen, FXall, Tradebook and IB Manager) or via fix DMA. They are reviewed on at least annual basis.  Service levels are reviewed regularly. Capital introduction services are not the determining factor in any counterparty selection.
Side Letters	When a firm grants a particular client a side letter, which gives it preferential treatment over other clients.	No side letters are in existence with respect to preferential liquidity. No side letters are in existence with respect to transparency terms that would not be made available to all investors.  Disclosure is in place in accordance with FCA expectations.  Side letters will be subject to MFN clauses.
Outside interests	Outside interests may detract from, or compromise, the investment manager's responsibility to the client. E.g. devoting less time to the client, or the external interest may be in competition with the client.	All employees are required to disclose outside interests and they have to attest to this every quarter in the compliance attestations. The Compliance Officer must approve any such interests and will maintain a record of them.  Gavyn Davies, Fulcrum's chairman, has outside interests with Active Private Equity (& associated portfolio companies), KKR where he serves as a senior advisor, Anthos Capital (private equity fund) and Impower Holdings Ltd (management consultancy in public services).  Fulcrum business does not overlap with Active, Anthos, or Impower businesses so there is no risk of competition between the firms.  Fulcrum and KKR both run fund of hedge funds. Fulcrum and KKR do not share any office, facilities or systems. Risk is low since target investors are very different and relevant investments are highly illiquid meaning that it

		would be very difficult to take advantage of confidential information to the detriment of either party.
Structure/ governance	Where Partners/Directors of the Firm also sit on the client's (Fund) Board, it may represent a direct conflict between the interests of the Firm and those of the client (Fund) and its investors.	Interests of both the Firm and the Fund are by definition aligned. Partners who sit on the boards of funds managed by Fulcrum do not have majority vote (this is the case with Andrew Stevens or Joseph Davidson). Some partners are also investors in the funds. Partners of the Firm are not remunerated for their positions on the board.
Investment manager and investment adviser	A firm, which has an investment management agreement and a separate advisory mandate, may trade before advising the advisory mandate.	Disclosure in IMA/IAA.  Fulcrum does not typically offer advisory mandates.
Valuations	There are inherent conflicts of interests where a firm is responsible for administration and/or client valuations and is remunerated on performance.	The valuation function is performed by the Firm as required by AIFMR 67 (4). In undertaking this function, the Firm will oversee third party administrators but will never directly instruct or override valuations.  All administrators and custodians have strict policies and internal procedures in place with respect to reliance on investment manager for pricing of instruments. Fulcrum also maintains a valuation policy which is approved and reviewed by the Fund directors on an annual basis.
Seed Investments	The Firm may use existing client funds to seed new funds, using them as a captive source of funds, which may not be in the original client's best interests.	The Firm may only invest where the existing and new funds objectives and restrictions align.  Where investments are made in internal funds, no management or performance fees are paid in these target funds.  In addition, investments will only be made in internal products if it is appropriate from an investment point of view taking into account regulatory and tax considerations.
Dual regulation conflict	Where the Firm is subject to the rules of more than one regulator, policies may not meet all requirements.	The Firm adopts the highest regulatory standards in both the UK and the US and generally in Europe. The Firm is assisted with the coordination of this process by its compliance consultants, Duff and Phelps.
Trading Errors	A conflict may exist between the Firm and its client over who should bear the cost of the error.	Fulcrum works to minimise the occurrence of errors by putting strong and efficient checking mechanisms in place to pick up any error as early as possible. In order to minimise the possibility of errors, the Firm has invested extensively in a system that provides automation across the trade life-cycle. Should errors occur then the procedure for resolving them is critical to ensure that they are mitigated correctly and that subsequently, efficient controls are put in place to minimise the risk of such errors in the future.  Fulcrum defines trade errors as the execution of a trade for a client that is inconsistent with the instruction provided by the investment team or where the trade causes the portfolio to be inconsistent with investment restrictions or rules established in the IMA or by the Regulatory Rules. In the event of a trading error, it shall be at Fulcrum's discretion whether or not to retain that position for the Fund subject to considerations of risk management, fund requirements and the fair treatment of clients. Any profit arising from an error will be credited to the relevant account. In the event of a loss as a result of a trade error, compensation will be paid dependent on the Fund's regulatory status or applicable regulatory rules (this may be subject to a materiality threshold).

**5 Appendix 2 – Conflicts Disclosure Form**

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Name:	
Manager:	
Type of conflict:	(1) Between the Firm and client(s)  (2) Between one client and another client (or clients)
Describe the nature of the conflict:	
How did the conflict arise?	
Describe any potential mitigating controls to resolve the conflict:	

Signed: \_\_\_\_\_ Date \_\_\_\_\_

**Compliance Review**

Conflict confirmed (Yes/No):	
Record of conflicts updated (Yes/No):	
Mitigating controls implemented (Yes/No):	
Conflict monitoring updated (Yes/No):	
Disclosure update required (Yes/No):	

Signed: \_\_\_\_\_ Date \_\_\_\_\_