



Hosking Partners<sup>®</sup>

# Conflicts of Interest Policy

December 2022





## CONFLICTS OF INTEREST POLICY

In accordance with its obligations under the rules of the Financial Conduct Authority (“FCA”) found in SYSC 10 Conflicts of interest, Hosking Partners LLP (the “Firm”) is required to take all appropriate steps to avoid conflicts, including maintaining and operating effective organisation and administrative arrangements, and, where such conflicts cannot be avoided, to identify, manage and monitor and, where applicable, disclose conflicts of interest in order to prevent them from adversely affecting the interests of the Firm’s clients.

The Firm acts as the Alternative Investment Fund Manager (“AIFM”) and also the sole investment manager or adviser of various Fund vehicles (each a “Pooled Fund”).

The Firm also provides discretionary portfolio management services to a number of segregated client accounts, including where the Firm acts as investment adviser or sub-adviser to a pooled fund operated or managed by a third party (“Segregated Accounts”). The Firm has taken all appropriate steps to identify conflicts of interest between:

- the Firm, its partners, employees or any person directly or indirectly linked by control and a Pooled Fund or the investors in the Pooled Fund;
- a Pooled Fund or its investors and another client of the Firm;
- the Firm, its partners, employees or any person directly or indirectly linked by control and a client; and
- any two clients of the Firm.

The Management Committee, which in its capacity as the governing body of the Firm has put in place controls and procedures designed to ensure that all applicable conflicts of interest are identified, monitored and managed at all times.

Every effort is made by the Firm to avoid or mitigate actual or potential conflicts of interest in the conduct of its business. This Policy has been put in place by the Firm to comply with its regulatory obligations and to demonstrate how the Firm deals with conflicts of interest as they arise from time to time.

The Firm reviews this Policy on an annual basis to ensure that it continues to comply with obligations and in order to confirm that appropriate measures are taken to address any deficiencies identified.



The Firm uses its reasonable endeavours to ensure that the Policy remains current and applicable to any new business as well as the existing business of the Firm. The Management Committee considers this Policy to be appropriate to the size and organisation of the Firm and the nature, scale and complexity of its business and will monitor the Policy to ensure that it remains appropriate to the structure and size of the Firm and the nature, scale and complexity of the Firm's regulated activities.

## **CRITERIA FOR IDENTIFICATION OF CONFLICTS OF INTEREST**

When identifying situations in which a conflict of interest may arise, the Firm takes into account the interests of each Pooled Fund and its investors as well as the interests of the Firm's Segregated Account clients and the duty of the Firm towards each Pooled Fund and its investors and Segregated Account clients.

For the purposes of identifying the types of conflict of interest which may arise, the Firm considers whether (a) the Firm, (b) a partner of the Firm, (c) an employee of the Firm, as well as any other natural person whose services are placed at the disposal and under the control of the Firm and who is involved in the provision by the Firm of its regulated or ancillary services, (d) a natural person who is directly involved in the provision of services to the Firm under a delegation arrangement to third parties for the purposes of the provision by the Firm of its regulated or ancillary services or (e) a person directly or indirectly linked by way of control to the Firm, is in any of the following situations, whether as a result of providing regulated or ancillary services or otherwise:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the Pooled Funds or its investors or a Segregated Account client;
- has an interest in the outcome of a service, activity or transaction provided to or carried out on behalf of one or more Pooled Funds or its investors or a Segregated Account client which is distinct from the Pooled Fund's or Segregated Account client's interest in that outcome;
- has a financial or other incentive to favour the interest of another over the interests of a Pooled Fund or the interests of one investor over the interests of another investor or group of investors in a Pooled Fund or a Segregated Account client;
- carries on the same activities for the Pooled Funds or Segregated Account client and for another client or clients;
- receives or will receive from a person other than the Pooled Funds/or Segregated Account client an inducement in relation to portfolio management activities provided to a Pooled Fund or Segregated Account client, in the form of monies, goods, services or other non-monetary benefit, other than the standard commission or fee for that service.





## **IDENTIFICATION OF CONFLICTS OF INTEREST BY THE FIRM**

The potential conflicts of interest which the Firm has identified and the controls in place to monitor and manage those conflicts may be updated from time to time.

In accordance with the requirements of the FCA Rules, each partner or employee of the Firm who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Firm, must declare the nature of that interest to the Compliance Officer as soon as practicable.

The Firm procures that any delegate of the Firm, or, where the Firm can influence the situation, any delegate of a Pooled Fund (each a “Delegate”), will identify and manage any conflicts of interest which may arise in relation to the service provided by such Delegates.

In addition, the Firm expects each Delegate to confirm that it manages conflicts of interest through the identification of potential sources of conflicts, the establishment of protocols such as Chinese walls to manage the conflict in order to minimise the risks of any damage to it or its clients by such conflict and by disclosure of such conflicts or potential conflicts to clients, where appropriate. Each Delegate should identify areas within its business where staff may be placed in positions in which a conflict of interest may arise including (but not limited to) the receipt of price sensitive information in relation to the assets of the Pooled Funds or Segregated Accounts and adopt adequate procedures for the identification and management of such conflicts.

## **PROCEDURES WHICH ARE FOLLOWED AND MEASURES THAT HAVE BEEN ADOPTED IN ORDER TO MANAGE CONFLICTS**

In the event that any conflict should arise, the procedures to be followed and measures adopted are described as below. These are designed to ensure that the relevant persons engaged in different business activities of the Firm involving a conflict of interest carry on those activities at a level of independence appropriate to the size and activities of the Firm and to the materiality of the risk of damage to the interests of the Firm or its clients. The Firm segregates, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other or which may potentially generate systematic conflicts of interest.

The procedures followed and measures adopted include the following where necessary and appropriate for the Firm to ensure the requisite degree of independence:

- (a) effective procedures designed to prevent or control the exchange of information between relevant persons engaged in portfolio management activities involving a risk of a conflict of interest where the exchange of information may harm the interests of a Pooled Fund or its investors or Segregated Account clients;



- (b) the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- (c) measures designed to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out portfolio management activities;
- (d) measures designed to prevent or control the simultaneous or sequential involvement of a relevant person in separate portfolio management activities where such involvement may impair the proper management of conflicts of interest;
- (e) a Public Interest Disclosure Policy (“Whistleblowing Policy”) to provide guidance to partners and employees on how they can raise any concerns; and
- (f) A written report is provided to the Management Committee on no less than an annual basis in respect of the conflicts of interest that have arisen or may arise which entail a material risk of damage to the interests of the Firm’s clients.

Any deviation from the Firm’s Conflicts of Interest Policy and related procedures is not permitted unless the prior approval of the Managing Partner has been obtained. In certain cases, depending on the specific circumstances, the Managing Partner may refer such requests to the Management Committee for its approval.

## **DISCLOSURE**

Where the Firm considers that there are no other means of managing the conflict or where the measures in place do not sufficiently protect a Pooled Fund’s and/or Segregated Account clients’ interests, the specific conflict will be disclosed in writing, as applicable, to the Pooled Fund, its investors and/or Segregated Account clients to enable such clients to make an informed decision whether to continue with the Firm’s services in that particular situation. The Firm however recognises that disclosure is a measure of last resort and will only be used where the organisational and administrative arrangements established by the Firm are not sufficient to ensure with reasonable confidence that risks of damage to client interests will be prevented.

## **RECORDKEEPING AND REPORTING REQUIREMENTS**

The Firm maintains and updates as required, the types of activities undertaken in which a conflict of interest entailing a material risk of damage to its clients has arisen or may arise. This includes the following:



- Details of all directors/employees/interns/secondees/contractors;
- Details of external directorships and other outside interests maintained by partners and staff.
- Details of relevant PA Dealing Transactions undertaken by partners, employees and their connected persons<sup>1</sup>;
- Details of Gifts and Benefits given or received by Staff
- Details of any Inducement arrangements
- Details of any conflicts arising from delegation or sub-delegation arrangements including outsourcing
- Conflicts of Interest identified by the Firm (including how they have been managed)
- Conflicts of Interest Register
- Reports to senior management
- Disclosures to Clients
- Details of the voting rights strategies employed by the Firm

In the event that any of the procedures and/or measures applied by the Firm to manage any actual or potential conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a Pooled Fund or its investors or Segregated Account clients can be prevented, the Management Committee is informed so that it may take any necessary decision to ensure that the Firm acts in the best interests of the Pooled Funds, their investors and/or Segregated Account clients.

The Firm shall report those situations referred to in the preceding paragraph to investors and Segregated Account clients in writing and give reasons for its decision.

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<sup>1</sup> As defined in the Personal Transactions Policy as a person sharing the same household, someone with close links or with a relevant relationship



## RISK MANAGEMENT FUNCTION AND CONFLICTS OF INTEREST

The current size of the Firm means that there is necessarily some overlap of roles in respect of Risk Management and other areas of the firm such as compliance. Additional controls are in place to monitor any conflicts arising from these arrangements which include:

- (a) Decisions taken by the risk management function are based on reliable data, which are subject to an appropriate degree of control;
- (b) The remuneration of those engaged in the performance of the risk management function includes consideration of the achievement of the objectives linked to the risk management function, independently of the performance of the business areas in which they are also engaged;
- (c) The risk management function is represented on the Management Committee of the Firm;

The Management Committee of the Firm regularly reviews the effectiveness of the safeguards in place to manage conflicts of interest and take timely remedial action to address any deficiencies.