Aberforth Partners LLP

& Aberforth Unit Trust Managers Ltd

Conflicts of Interest Policy

March 2024

Aberforth Partners LLP Conflicts of Interest Policy

This document sets out the key policies, procedures and controls established by Aberforth Partners LLP & Aberforth Unit Trust Managers Limited (Aberforth) pursuant to the effective prevention, management, and monitoring of conflicts of interest. This policy references common types of conflict scenario faced by investment firms and describes the mechanisms put in place by Aberforth considered appropriate to ensure their effective management or prevention. Aberforth seeks to prevent or manage all relevant conflicts which may affect clients including those conflicts which apply to unit trusts and alternative investment funds or the investors in these funds. The policy is subject to regular review.

Aberforth supplement this Compliance policy with a series of internal procedures aligned to the design of the firm's Enterprise Risk Management framework. These include control matrices, risk assessments and confirmation of operational controls.

Types of conflict

The types of conflict that arise, or may arise, in the course of providing investment services and whose existence may entail a material risk of damage to the interests of clients typically include scenarios where:

- the firm is likely to make a financial gain, or avoid a loss, at the expense of a client;
- the firm has a financial or other incentive to favour the interest of one client (or group of clients) over the interests of another client;
- staff and partners of the firm carry out personal account dealing in the same investments that may be in client portfolios;
- the firm receives or will receive from a person other than a client an inducement in relation to a service provided to that client, in the form of monies, goods or services, other than the standard commission or fee for that service.

Identifying conflicts

As an independent limited liability partnership whose sole specialisation is investment in small UK quoted companies, many of the traditional conflict of interest scenarios faced by larger, more diverse entities are not applicable to Aberforth.

Nevertheless, conflicts of interest can and do occur in even the most straightforward organisations. It is of paramount importance, therefore, that Aberforth is alert to all sources of actual and potential conflicts of interest associated with its business in order that appropriate control mechanisms are put in place.

The FCA considers that conflicts of interest can potentially exist at a number of levels where a firm provides investment services for its clients. For example, a firm may have an interest in a transaction that is, or may be, in conflict with the firm's clients, or a firm may have clients with conflicting interests in relation to a particular transaction. Conflicts of interest may also exist between persons acting on a firm's behalf and the duties owed by a firm to its clients.

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Detailed below is a description of some common conflict of interest scenarios and the arrangements Aberforth has put in place in order to satisfactorily manage those conflicts.

(i) Conflicts of interest between a firm and its clients

In some firms a conflict of interest can occur between the firm and its clients where the firm is permitted to deal in investments on its own behalf (for its own account) as well as on behalf of its clients. At Aberforth, dealing in investments is only ever undertaken on behalf of our clients. Aberforth does not deal in investments for its own account. As a result, no conflict exists between Aberforth and the interests of its clients when dealing in investments.

(ii) Conflicts of interest between clients of a firm

Another area where a conflict of interest could potentially arise is in the placing of orders for multiple clients. FCA rules require firms to execute client orders sequentially and promptly. Furthermore, the subsequent allocation of those orders must be promptly and accurately recorded and allocated.

Where Aberforth executes a transaction that combines one client order with that of another we must ensure that no unfair preference is given to any of those for whom we have dealt. Aberforth's internal order management system embeds a set of rules that ensures a fair and consistent allocation between clients. Orders are allocated on the basis of the total number of shares required to be bought or sold with individual trades allocated on the basis of comparing each client's current holding with their target holding (adjusted where appropriate). The client furthest from the desired target weight will be allocated shares in the trade until it is in line with the fund next closest to the desired weight. There are a limited number of circumstances where deviation from this methodology is permissible. Where that happens, the explanation for the deviation is recorded. These circumstances are tightly controlled and subject to additional checks to ensure the equitable treatment of clients. The fair allocation of client orders is also regularly monitored as part of the firm's compliance monitoring programme.

All clients are made aware of Aberforth's philosophy and commitment to maintain a ceiling on assets under management of 1.5% of the total market capitalisation of the Numis Smaller Companies Index (excluding investment companies) (NSCI (XIC)). In order to protect the interests of investors Aberforth has a rationale and planned approach for the management of restrictions to further investments should that ceiling be reached.

(iii) Conflicts of interest between partners/employees of Aberforth and its clients

The FCA is sensitive to the potential conflict of interest that exists between the personal dealings of the staff of an investment firm and the clients of that investment firm particularly when buying and selling securities.

At Aberforth, partners, employees and connected persons of partners and employees are not permitted to invest directly in Aberforth's investment universe. If partners or staff wish to invest in small UK companies, this can be done by purchasing shares or units in collective investment vehicles, including those managed by Aberforth. Partners and staff are permitted to invest in companies and funds that are outwith the Aberforth investment universe subject to compliance with Aberforth's Personal Account Dealing Rules. The application of and adherence to these rules is monitored as part of the firm's compliance monitoring programme.

(iv) Conflicts of interest between Aberforth and persons acting on our behalf

Gifts and entertainment

It is not uncommon for persons employed by, or acting on behalf of, authorised firms (including investment firms) to offer, give, accept or solicit small gifts and minor hospitality from time to time. Such practices are not prohibited by the rules provided arrangements are in place to prevent any conflict of interest arising between the recipient of the gift or hospitality and his or her duties to the firm and its clients.

At Aberforth it is a key requirement that no gifts or entertaining should be given or received if they could be considered to form an inducement to do business which otherwise may not be undertaken. Any gift or entertainment offered by a party that is connected with the services provided to our clients can only be accepted if it can be demonstrated that it is capable of enhancing the quality of service provided to our clients or can be regarded as an acceptable minor non-monetary benefit. Gifts and entertainment in excess of set levels, either accepted from, or offered to clients or other third parties are recorded in the Gifts Register. To ensure consistency of treatment it is also firm policy that all gifts accepted are placed in the office tombola which is drawn in December each year and in which all personnel may participate by purchasing a ticket with all proceeds going to charity.

Price sensitive information

There may be occasions when Aberforth is told price sensitive information which could have the potential to influence the investment decision making progress. Aberforth operate tight controls surrounding the treatment and handling of price sensitive information to prevent such information being used in a manner in contravention of relevant laws and regulations.

Services provided by brokers (other than execution)

A conflict could potentially arise in circumstances where a firm receives benefits from a broker which also offers execution services as such benefits could be considered an inducement to place business with that broker.

Aberforth allocates commission exclusively on the basis of execution. Any other services, including the provision of substantive research, are expected to be priced separately and paid for by Aberforth (unless they are minor non-monetary benefits, i.e. non-bespoke generic research).

Where a broker offers to arrange corporate access then, unless satisfied that the corporate has itself funded this service, Aberforth expects to pay the broker where it chooses to avail itself of such access.

Record of conflicts

Aberforth keeps and regularly updates a firm-wide Conflicts Matrix which identifies conflicts and potential conflicts that exist within the firm and the controls that are in place to manage them thus preventing the conflict giving rise to a material risk of damage to the interests of one or more clients. The Conflicts Matrix is subject to regular review by the partnership. Further details are available on request.

Disclosure of conflicts

Where it is considered that all appropriate steps have been taken to manage a specific conflict but the organisational and administrative arrangements made by Aberforth are not considered sufficient to ensure, with reasonable confidence, that risk of damage to the interests of a client will be prevented, Aberforth will clearly disclose the nature and/or source of the conflict(s) of interest to the client before undertaking investment business for the client. Any such disclosure will be provided in a durable medium and in sufficient detail, including an explanation of the risk involved, what steps have been taken to mitigate the risk and why these have not been considered sufficient, to enable the client to make an informed decision with respect to the service in the context of which the conflict has arisen or may arise. In the event that such a conflict arises which impacts on the unit trust, the disclosure will be notified to all unitholders. All appropriate efforts will be made to either prevent or manage conflicts and, consequently, such disclosure will only be made where it is believed that there is an unavoidable conflict and there is a material risk of damage to the interests of one or more clients. Where such disclosure is considered necessary, efforts will continue to be made to manage the conflict and minimise the risk of damage to the interests of clients arising.

As at the date of this policy, Aberforth considers that internal arrangements made in respect of all actual and potential conflicts of interest identified are sufficient to make any disclosure under this section unnecessary.