

# **Oldfield Partners LLP**

## **Conflicts of Interest Policy**

### **January 2018**

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#### **INTRODUCTION**

This document sets out the policy of Oldfield Partners LLP (the “Firm”) with respect to the identification and the prevention or management of its conflicts of interests in compliance with the Firm’s regulatory requirements including, *inter alia*, the Financial Conduct Authority’s Fund Sourcebook Requirements (the “FCA Rules”), the provisions of the Alternative Investment Fund Managers Directive (2011/61/EU) (“AIFMD”) and the Markets in Financial Instruments Directive (2014/65/EU) (“MiFID II Directive”).

The Firm’s conflicts of interest policy (the “Policy”) applies to all staff including “relevant persons”<sup>1</sup> as defined by the FCA, but excludes third parties operating pursuant to outsourcing contractual arrangements which address conflicts of interest arising, including in the area of personal account dealing.

#### **THE FIRM’S BUSINESS**

The Firm offers the core service of discretionary portfolio management in accordance with investment objectives and guidelines contained in its customer agreements. Other investment services and activities are conducted as an integral part of the Firm’s portfolio management activities. These include for example, execution of orders on behalf of its customers which include alternative investment funds (“AIFs”). The Firm is also involved in the promotion of the AIFs on behalf of which discretionary management is conducted. The Firm does not deal on its own account, nor does it hold customers assets.

The Firm’s FCA Scope of Permission permits investment in a broad range of financial instruments on behalf of clients who are professional clients.

#### **THE BASIC OBLIGATION**

The Firm must at all times act honestly, fairly and professionally and in accordance with the best interests of its customers and the investors of the funds that the Firm manages (each such customer or investor is a “client” for the purposes of this Policy). Specifically, it must take all appropriate steps to identify and, wherever possible, prevent by management any potential or actual conflicts of interest between the Firm, including its staff and controllers, and its clients and between its clients.

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<sup>1</sup> Relevant person (in summary) is defined as any of the following (a) a director, partner or equivalent, manager, employee or appointed representative of the Firm, and (b) any other natural person, including persons operating under an outsourcing arrangement, 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 regulated activities. For the purposes of this paper, however, the directors of Oldfield & Co. (London) Ltd who do not have executive responsibilities and are not therefore involved in the provision by the firm of regulated activities are not subject to this policy.

In taking all appropriate steps the Firm will consider the level of risk associated with a particular conflict, the nature, scale and complexity of the Firm's business, the nature and range of products that it offers and the nature of its client base.

Where the Firm is unable to manage any conflict of interest such that it has reasonable confidence that risks of damage to the interests of a client will be prevented, then the Firm will disclose the general nature and sources of such conflict of interest to the client before undertaking business for the client.

#### **IDENTIFICATION OF CONFLICTS OF INTEREST**

In order to identify the types of conflict of interest that arise, or may arise, in the course of the provision by the Firm of its services, and to identify those conflicts of interest which may entail a material risk of damage to the interests of a client, the Firm has taken into account whether the Firm or a relevant person, including a delegate, sub-delegate, external valuer or counterparty, or a person directly or indirectly linked by control to the Firm:

- is likely to make a financial gain, or avoid a loss, at the expense of a client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- has a financial or any other incentive to favour the interest of one client or group of clients over another;
- carries out the same activities for more than one client;
- carries out the same business as a client; and/or
- receives or will receive from a person, other than the 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.

All circumstances which should be treated as giving rise to a conflict of interest cover cases where there is a conflict between the interests of the Firm or certain persons connected to the Firm and the duty the Firm owes to a client or clients, or between the differing interests of two or more clients to whom the Firm owes a duty. A conflict to which this Policy applies does not simply disappear where the Firm may benefit but there is no perceived possible disadvantage to a client, nor where one client may make a gain, or avoid a loss, where there may be no perceived possible loss to another client.

If at any time a conflict is identified that has not been included in this Policy, or a material risk of damage to a client has been identified, the Firm's Compliance Officer should be contacted.

#### **MANAGEMENT OF CONFLICTS OF INTEREST**

Senior management is responsible for ensuring that the Firm identifies and manages its conflicts of interest. In managing the Firm's conflicts of interest, senior management will:

1. ensure that all staff are aware of the critical importance of the Policy in carrying out the Firm's business, and the need to report any perceived conflict of interest promptly;
2. review any actual or potential conflict of interest as soon as it is identified and identify appropriate steps to manage the conflict as necessary; these steps shall have the aim of preventing the risks of damage to the interests of a client;
3. communicate to all relevant staff the procedures to be followed in order to manage the conflict of interest; and
4. document the conflict of interest and the measures so undertaken in the Policy.

### **PROCEDURES WHERE CONFLICT MANAGEMENT DOES NOT REMOVE THE RISK OF DAMAGE TO A CLIENT'S INTERESTS**

If, after a full consideration of its arrangements to manage its conflicts of interest, the Firm considers that either (i) it cannot make appropriate arrangements or (ii) that its arrangements to manage a conflict of interest are not sufficient, to ensure that material risks of damage to the interests of a client will be prevented, then the Firm will, as a last resort, disclose position to the client before undertaking further business. Over-reliance on disclosure without adequate consideration as to how the Firm may manage its conflicts is not permitted.

The disclosure should include the general nature and sources of the relevant conflict of interest and the steps taken to mitigate those risks. The client will be clearly advised, as part of the disclosure, that the Firm's arrangements have not, with reasonable confidence, been sufficient in the circumstances to prevent or manage the conflict and a specific description of the conflicts of interest arising that cannot be prevented or managed and an explanation of the risks arising to the client as a result. Sufficient detail must be provided to enable that client to take an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.

Such disclosure will be in writing and, like all other communications to the client, will be clear, fair and not misleading, irrespective of the categorisation of the client.

In the event that such a conflict is identified, the Compliance Officer must be informed immediately so that disclosure and any other appropriate steps, including whether it is appropriate to decline to undertake the business, are properly considered by senior management.

### **REVIEW OF CONFLICTS ARISING**

The Board shall receive written reports on conflicts of interest arising and the steps taken to resolve them, at least annually.

### **UPDATING AND REVIEW OF THIS POLICY**

This Policy should be updated as and when a new service or activity is undertaken by the Firm, or new conflicts are identified, or new procedures to manage the conflicts are put in place. On-going relevance of and compliance with, this Policy will be reviewed on a six monthly basis, or as new kinds of service or activity are undertaken by the Firm, as part of the Firm's compliance monitoring programme and be reported to senior management. The Compliance Officer is responsible for ensuring that required disclosures and record keeping requirements are complied with.

### **RECORD RETENTION**

A record of this Policy, and any subsequent updates to it, must be maintained for a period of 5 years.

The Firm's Conflicts of Interest are identified on the attached Schedule.

## **SCHEDULE OF CONFLICTS OF INTEREST AND PROCEDURES**

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The following conflicts of interest having been identified by the Firm:

1. General Personal Conflicts
2. Personal Account Dealing
3. Inside and Proprietary Information
4. Inducements
5. Cross Holdings
6. Selection of Business Suppliers (and Outsourcers)
7. Delegation
8. Outside Affiliations
9. Staff Responsibilities
10. Staff Remuneration
11. Aggregation and Allocation
12. Valuations
13. Corporate Access and Research
14. Expenses Charged to the AIFs
15. Risk Management of Client Portfolios
16. Liquidity Management of the Funds
17. Side Letters
18. Agency Crosses
19. Trade Errors
20. Proxy Voting

In respect of these conflicts, the Firm maintains and operates the following procedures with a view to taking all appropriate steps to prevent conflicts of interest from constituting or giving rise to material risk of damage to the interests of the Firm's clients.

### General Personal Conflicts: Policy of Independence

The Firm operates a "Policy of Independence" which requires its clients to be treated fairly in instances where the Firm or an employee has a material interest or a conflict in relation to a potential transaction. In such cases, the interest or conflict must be disregarded when advising customers, exercising discretion for them or dealing on their behalf.

A material interest can arise, for example, where a firm or an employee has a proprietary position in an investment. A conflict of interest can arise where a firm, an employee or some other connected party has a relationship with another person or entity that potentially conflicts with the duty to the client.

Such a relationship might include one with an issuer, another investment manager firm, broker or counterparty, or another client. In such cases, any investment advice given to a client, or discretion exercised, must be formulated with regard to the client's interests and not those of the Firm or any connected party or employee.

Staff are also reminded that they must prevent their personal interests from conflicting or appearing to conflict with the ethical principles and practices of the Firm in their activities with clients, the public, or other staff.

In addition, staff are reminded that the Firm is required to manage a conflict of interest by either avoiding any conflict of interest arising, or where conflicts arise, ensuring fair treatment to all clients by disclosure, internal rules of confidentiality, declining to act, or otherwise. The Firm should not unfairly place its interests above those of its clients and, where a properly informed client would reasonably expect that the Firm would place his/her interests above the Firm's, the Firm should meet that expectation.

#### Personal Account Dealing

The Firm has implemented personal account dealing policies with which staff, and related persons under their control, must comply. At the commencement of their functions, members of staff are required to commit to comply with these policies. In summary this is designed to prevent, in the absence of exceptional circumstances, inappropriate:

- dealing in financial instruments where it is known that it is likely to have a direct adverse effect on the interests of any of the Firm's clients, in particular where the financial instrument is already held by clients;
- dealing in advance of a decision to deal on behalf of a client; and/or
- dealing before a client when it is known that the Firm is considering dealing in that financial instrument. Staff must first consider whether or not the investment decision they have made is appropriate for any of their clients.

All transactions in financial instruments by staff and relevant persons must be reported to the Compliance Officer promptly where they are monitored against client holdings and against quarterly personal account dealing declarations received from staff.

#### Inside and Proprietary Information

Staff, who, in pursuit of the Firm's business activities, possess inside or proprietary information must preserve its confidentiality and disclose it only to other staff who have a valid business reason for receiving it. Members of staff who believe they have received inside information from any source must immediately contact the Compliance Officer. Staff or the Firm cannot use or further disclose the information where it has been received.

#### Inducements

The Firm must act honestly, fairly and professionally in accordance with the best interests of its clients at all times.

#### *Gifts and Entertainment*

The Firm operates a Gifts and Entertainment policy applicable to benefits or inducements to staff which might be seen as conflicting with their duties to the Firm or to any of the Firm's clients. In order to address conflicts of interest that may arise when a member of staff accepts or gives a gift, favour or other items of value ("gifts"), or entertainment (meals and other events etc.) ("entertainment"), the Firm requires Staff to obtain written approval by the Compliance Officer or the Chief Executive for the retention of any gifts received above a value determined by the Partners from time to time (currently £50).

- Gifts must not be given or received unless the value of the gift is judged as de-minimis (no more than £50). Staff are prohibited from giving or accepting *any* cash gifts or cash equivalents.
- Business entertainment may not be accepted unless it meets the Minor Non-Monetary Benefit exclusion for “hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or the training events”. Staff may provide ordinary business entertainment where the total value is less than £50 per head without pre-clearance.
- No gift or entertainment of any value whatsoever involving foreign government officials or their families (including a governmental, quasi-governmental or local authority) may be given or sponsored by the Firm or any Staff without the prior written approval of the Compliance Officer as such gifts may constitute unacceptable bribes in certain jurisdictions.
- Where Staff travel on broker or issuer sponsored research trips, the Firm should also for the cost of travel and accommodation.
- Any exceptions to the above policy may only be made following prior written approval from the Chief Executive Officer and the Compliance Officer.

For the purposes of this policy “Staff” includes members of staff, their families and associates.

Each calendar quarter, members of staff are requested to declare that they have complied with the Firm’s policies on gifts and entertainment.

#### *Minor Non-Monetary Benefits*

The Firm is able to accept inducements classified as “Minor Non-Monetary Benefits” which are capable of enhancing the quality of service provided to a Client; and of a scale and nature such that they could not be judged to impair compliance with the Firm’s duty to act in the best interests of the Client. Minor Non-Monetary Benefits are defined under the MiFID II Directive and include participation in conferences and seminars on the benefits and features of a specific financial instrument or an investment service, hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference or seminar mentioned above.

#### Cross Holdings

Where the Firm or the funds it manages has holdings in other funds which in their turn invest in the Firm’s funds, any such cross holding should be noted at the time of investment and should be reviewed periodically by compliance. In addition, the Firm should neither grant nor receive any preferential terms.

#### Selection of Business Suppliers (and Outsourcers)

The selection of service providers, agents, third party suppliers, distributors and equity partners is made on an arm’s length basis. In the event of any personal relationship between the Firm and the third party, or a person connected to them, the Firm will take this into account and consider potential conflicts or the appearance of conflicts in making its selection. As far as possible, the connected party should refrain from being involved in the actual decision making process.

The Firm prevents conflicts arising regarding the selection of suppliers by refusing to accept or provide fees, commissions and non-monetary benefits which do not directly enhance the service offered.

#### Delegation

The Firm delegates certain of its responsibilities to third parties in respect of the AIFs that it manages. A conflict of interest may arise where the delegation is to an entity affiliated to the Firm or where the delegate and the Firm share relevant persons, or have other contractual relationships, or where for any other reason the interests of the delegate may conflict with those of the Firm or the investors of the AIF. This is the case in respect of the Firm’s affiliate, Doddington Management Company LLC (“DMC”), which acts as the Manager of the non EEA AIFs managed by the Firm (the “Doddington Funds”). The Managers of DMC are also the principals of Meteora Partners LLC which provides administrative

support services to the Doddington Funds. There is potential for the interests of the Firm to conflict with the interests of Meteora Partners LLC and for the Firm to assert undue influence. This conflict is mitigated by the following factors: The conflict is disclosed in the offering documents of the Doddington Funds; and the fees received by Meteora Partners LLC are fixed and not material to its total revenue.

#### Outside Affiliations

Staff can engage in and maintain outside affiliations only in conformity with the requirements and procedures detailed in the Firm's Compliance Manual. No member of staff may serve as an officer, director, general partner, trustee, owner, proprietor, member of a limited liability company or partnership, consultant or agent for any business operation other than the Firm or its affiliates without prior approval from the Partners. In providing this approval the Partners will take into account any actual or potential conflict. In the event that the conflict cannot adequately be managed, the staff member concerned may be requested to resign from the conflicting outside affiliation.

Upon joining the Firm, and annually thereafter, all staff are required to complete and sign a questionnaire disclosing all reportable outside affiliations. Staff have an ongoing obligation to report and obtain approval for any new outside affiliation and any change in status with respect to a previously approved affiliation.

Staff may participate in, or be present at, discussions regarding particular companies in their non-executive positions. In general, such discussion is unlikely to lead to a conflict of interest. Staff are not prohibited from discussing companies in which clients' portfolios have holdings since there is no secrecy about such holdings, and indeed purchases by other market participants may be helpful. Staff should not discuss companies where purchases or sales have not been completed. Similarly, they must be sensitive to confidentiality when other investment managers, at board meetings or meetings of investment committees, discuss holdings in which they are in the process of making transactions. Where, however, it is evident that the managers concerned are discussing holdings in which they are not currently making transactions, and where there is no confidentiality regarding their position, then no conflict of interest arises and staff members may feel free to initiate research on a company about which they have heard in such a meeting attended in a non-executive capacity. Where in any doubt, staff members should discuss the position with the Compliance Officer.

#### Staff Responsibilities

Conflicts of interest may arise where staff of the Firm whose principal functions involve portfolio management for clients have interests which differ from or conflict with one another and/or with the interests of the clients; where a person might exercise inappropriate influence over the way in which a relevant person carries out collective portfolio management activities; and where simultaneous or sequential involvement of a relevant person in separate portfolio management activities or other activities may impair the proper management of conflicts of interest.

Members of the Firm's Risk Management Committee ("RMC") report functionally to the Chief Executive Officer ("CEO") who also heads the Marketing Department. There is potential for RMC members' personal interests to conflict with their professional roles for the Firm and for the CEO to assert undue influence. The Firm has implemented mitigating measures by (i) introducing a strong, documented and clear risk management framework; (ii) segregating the risk management and the portfolio management functions hierarchically throughout the whole hierarchical structure of the Firm up to the Board of Oldfield & Co. (London) Limited (the "Board"), with the Finance Director, who is a member of the RMC, sitting on the Board; (iii) having remuneration determined by the Remuneration Committee, the majority of whose members are independent. These measures are reasonably expected to prevent the risk of damage to the interests of the clients of the Firm including the AIFs and their investors as a result of the organisation of its staff responsibilities and supervision thereof.

#### Staff Remuneration

Staff remuneration and bonus arrangements are carefully considered to ensure that conflicts do not inadvertently arise through targets that inappropriately incentivise staff to behave in a manner that disadvantages the interests of clients in favour of the Firm or other clients, or through a direct link between the remuneration of staff engaged in different activities for the Firm where a conflict of interest may arise in relation to these activities (such as the activity of portfolio management and the activity of valuation). The remuneration of staff engaged in non-portfolio management functions such as the valuation function and the risk management function, while reflecting the overall profitability of the Firm, principally reflects the achievement of the objectives linked to those non portfolio management functions only.

#### Aggregation and Allocation

Decisions to deal for clients may be aggregated only where it is reasonably believed by the Firm that this is in their overall best interests. To allow all strategies to participate in a transaction, the investment manager initiating a trade for his strategy will notify the other investment managers in advance. Where it is intended to aggregate transactions for clients this will be disclosed to them and also that the effect of aggregation may work on some occasions to their disadvantage.

Allocation procedures in operation are designed to ensure that no unfair preference is given to any client. A record must be made of the intended basis of allocation at the time of the order clearly indicating each client involved and allocation effected promptly following execution. The allocation will be made either at the actual price paid for each transaction allocated or the volume-weighted average price of a series of transactions. Fees and commission must be allocated on a similar fair basis, usually pro-rata.

A revised allocation of an aggregated order between clients may be made to correct an error or to deal with uneconomic allocations where orders are only partially executed. The rectification must be made within one business day and must be notified, in writing and detailing reasons, to the Compliance Officer.

There may be particular circumstances in which certain clients do not have the same investments in companies as other clients following the same strategy. For example, a client may not wish to invest in certain securities, countries or sectors or it may have become a client when the security in question was considered fully valued by the investment manager. Where an investment is made in a security and not all clients are invested to the same extent, the reasons for this difference are recorded at the time of the trade order being placed.

#### Valuations

Where the Firm is involved in the valuation of client portfolios, potential for conflicts of interest arise as the Firm is also remunerated by reference to the net asset value of its clients' portfolios. This potential conflict is mitigated by the Firm's fee being based on the valuation provided by the client's custodian. Under AIFMD the Firm is responsible for the valuation of the AIFs that it manages, although it has delegated the calculation of the Net Asset Value per share to the independent Administrator for each AIF.

The Firm mitigates these conflicts of interest by ensuring that its valuation function is segregated from its portfolio management function; is carried out in accordance with a detailed written Valuation Policy that sets out appropriate pricing sources and procedures for valuing client assets including appropriate procedures for determining the valuation of illiquid or other hard to price assets; and is carried out by a Valuation Committee subject to supervision and oversight by the Board of the Firm. Where conflict exists, the Firm operates in accordance with its Valuation Policy and maintains adequate records in order to demonstrate that it has operated in accordance with this Policy.

### Corporate Access and Research

Some brokers, not subject to the MiFID II Directive, may offer the Firm Corporate Access and/or Research for “free” (i.e. without any direct costs or increase to their standard execution-only rates) on the understanding, whether clearly stated or implicit, that the Firm will generate minimum volumes of business with that broker. The Firm does not accept such “free” services save where permitted by the Rules of the FCA, notably trial research for a period not exceeding 3 months.

### Expenses charged to the AIFs

The Firm has a fiduciary duty to ensure that the AIFs that it manages and therefore the investors in these AIFs are not charged undue costs. A conflict of interest arises where the Firm could charge to the AIFs certain fees and expenses arising in relation to it that do not directly benefit the AIF and/or its investors. The Firm’s policy is (i) to make adequate disclosure in the offering documents of the AIFs in relation to the nature of fees and expenses charged to the AIFs and (ii) not to charge the AIFs any fees and expenses that do not directly benefit the AIFs and their investors and to pay for such costs itself. Expenses charged to the AIFs are authorised by the board of each AIF.

### Risk Management of Client Portfolios

There is a risk that in seeking to maximize achieved investment returns for the client accounts which they manage, portfolio managers may exceed the risk tolerance levels or stated objectives of the client (such as those set out in the prospectus of the AIFs that the Firm manages), resulting in overconcentration in a single issuer or sector, or in illiquid assets, or the excessive use of leverage.

The Firm has implemented a strong, documented and clear risk management framework. Decisions taken by the risk management function are based on reliable data, generated by means other than the portfolio management function. The RMC is responsible for ensuring the integrity of this data and of the risk management framework, which is subject to supervision by the Firm’s Board independently from the portfolio management function.

### Liquidity Management of Funds

In relation to open ended funds, including any AIFs, that it manages, a conflict of interest might arise between the Firm’s incentive to seek returns through investment in illiquid or potentially illiquid assets and the need to maintain adequate levels of liquidity in relation to the redemption policy of the Funds that it manages. A conflict of interest may result in relation to those investors wishing to redeem their investments and those investors remaining in the fund, where there is a risk that the Firm has to sell a greater proportion of the fund’s liquid assets in order to meet redeeming investors’ requirements than it would otherwise sell in the exercise of prudent investment management, with the result that remaining investors will hold a higher proportion of illiquid or relatively illiquid assets; or that the Firm will execute sales of illiquid assets at discounted prices, thereby reducing returns for all investors.

The policy of the Firm is to ensure that for each fund that it manages, the liquidity profile of the fund remains consistent with its redemption policy. The Firm maintains a permanent risk management function that is independent from its investment management function and monitors the liquidity of each fund on a monthly basis against their redemption policy. The Board of the Firm will be notified, in a timely manner, whenever a liquidity mismatch arises that could result in damage to the interests of the fund or its investors.

### Side Letters

In the event that the Firm enters into side letters with investors in the AIFs or other investment funds that it manages, where these side letters contain “material terms”, the Firm must disclose the existence of these side letters and the nature of such terms. “Material terms” means any term that has the effect of providing an investor with more favourable treatment than other fund investors in relation to their ability either (i) to redeem shares or interests of the relevant class or (ii) to make a determination as to

whether to redeem shares or interests of that class and consequently other holders of shares or interests of that class are put at a material disadvantage in connection with the exercise of their redemption rights.

The policy of the Firm is that it will not enter into side letters that contain “material terms”. In the event that the Firm receives such a request, the Compliance Officer should be advised and will deal with the issue. In the unlikely event of material term or terms being accepted by the Firm, the Compliance Officer must ensure that the required disclosure is made to all potential and actual investors.

#### Agency Crosses

An agency cross trade may only be transacted where the trade does not prejudice either the fund or clients, and is not being conducted in violation of any applicable regulatory requirement. The decision and the rationale for the cross trade must be documented and be provided to the Compliance Officer. The execution price of an agency cross trade must be fair, normally interval VWAP, with a screen print, or equivalent, being taken which shows the interval VWAP at the time of dealing.

#### Trade Errors

The Firm maintains policies in respect of trading errors which require that to the extent that trading errors occur they are corrected as soon as practicable. The Firm is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Firm.

Where trading errors arise they are subject to examination by the Compliance Officer who will determine the appropriate course of action including where appropriate, compensation to the client where any loss is found to result from error by the Firm.

#### Proxy Voting

The Firm has adopted proxy voting procedures that are designed to ensure that the Firm votes proxies with respect to client financial instruments in the best interests of its clients. For clients that do not want proxy voting for their account, and have indicated this in writing to the Firm, it is the Firm’s policy to abstain from voting such proxies. The Firm will identify and address any conflicts of interest between the Firm and its clients. If a material conflict exists, the Firm will determine how to vote, considering the Firm’s policies and client agreements, in the best interests of the client or take some other appropriate action.

In the event of any actual or perceived conflict between the interests of clients, the Compliance Officer should be notified in order to ensure fair management of the conflict. Where a risk of material damage arises the conflict will be disclosed to the client in accordance with the disclosure procedures in this Policy.