



OUTLINE OF EXOTIX'S CONFLICTS OF INTEREST POLICY

Under FSA's Principles for Businesses, Principle 8 requires a firm to "*manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.*" Under the Markets in Financial Instruments Directive ("MiFID") Exotix is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage such conflicts of interest. Exotix has put in place a policy to meet this obligation and set out below is a summary of that policy and the key information that is needed by clients and counterparties (together "**customers**") to understand the measures Exotix is taking to safeguard the interests of its customers.

Exotix's Conflict of Interest Policy

Exotix's Conflict of Interest Policy sets out how Exotix will:

- identify circumstances which may give rise to conflicts of interest entailing a material risk of damage to customers' interests;
- establish appropriate mechanisms and systems to manage those conflicts; and
- maintain systems designed to prevent actual damage to customers' interests through the identified conflicts.

What is a conflict of interest?

A conflict of interest under MiFID is a conflict that arises, in any area of Exotix's business, in the course of providing one of its customers with a service which may benefit Exotix (or another customer for whom Exotix is acting) whilst potentially materially damaging the interest of that customer where Exotix owes a duty to that customer. There may be a conflict where Exotix (or anyone connected to Exotix including another Exotix Group Company):

- is likely to make a financial gain (or avoid a loss) at the expense of one of its customers;
- is interested in the outcome of the service provided to one of its customers where the interests of Exotix is distinct from that of that customer;
- has a financial or other incentive to favour the interests of one customer over another;
- carries on the same business as one of its customers;
- receives money, goods or services from a third party in relation to services provided to one of its customers other than standard fees or commissions.

Identification of conflicts of interest

Exotix has sought to identify conflicts of interest that exist in its business and has put in place measures it considers appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on its customers. The conflicts identified include:

- those between customers with competing interests;
- those between customers and Exotix where their respective interests in a particular outcome may be different; and
- those between the personal interests of staff of Exotix and the interests of Exotix or its customers where those interests may be different.

Policies and procedures

Exotix has adopted numerous internal policies and procedures, often set out in its Compliance Manual or in its procedures manuals, in order to manage the potential conflicts of interests that it has identified. These policies and procedures will be subject to our normal monitoring and review processes and include:

(a) Integrity and Standards of Conduct

Exotix insists that, in its dealings with customers, its staff must use the highest standard of integrity in their actions at all times. The induction programme, Training & Competency procedures and monitoring programme at Exotix are designed to ensure that all relevant staff are familiar with and observe, inter alia, the FSA Principles for Businesses and the Statements of Principle and Code of Practice for Approved Persons.

(b) Customer Orders

In order to ensure as fair treatment as possible for customers, the Exotix Execution Policy requires Exotix to take all reasonable steps to achieve the best overall trading result for customers; to exercise consistent standards; and operate the same processes across all markets, clients and financial instruments in which it operates.

No undue preference should be given to any customer when trades are aggregated. Re-allocation to any individual customer may only be made to correct an error or to adjust an uneconomic initial allocation e.g. on a partial fill of an order

There may be occasions when customer orders may have a material affect on a relevant securities price. In order to ensure that a broker does not take advantage of the situation by dealing on his/her own account or encouraging a third party to deal, Exotix has a strict "no front running" policy.

In order to ensure a fair and orderly dealing environment within the market, Exotix further ensures that its staff comply with the revised Code of Market Conduct reflecting the provisions of the Market Abuse Directive, as well as the relevant FSA Rules, which aim to prevent insider trading, the misuse of information and market manipulation.

(c) Personal Account Dealing ("PAD")

Exotix has a policy on Personal Account Dealing and the rules are signed off as understood by all relevant employees regardless of their position within Exotix.

Staff may not deal the same way for personal account as a customer order or potential order before it is executed or where a customer's interest could be adversely affected.

Relevant employees shall not deal in stock within 5 days of a research recommendation being published and in no circumstances where a client order is pending

Further, PAD procedures require relevant areas of the business to obtain pre-approval by the relevant business head and the Compliance Officer and all broking staff are required to report any investment activity to the Compliance Officer

All staff are regularly reminded of the Personal Account Dealing rules through general all staff emails.

(d) Confidentiality and Information barriers

Exotix has put in place physical arrangements and procedures to control or prevent the flow of information ("Chinese Wall") between Exotix business units and entities where the interests of customers of one business unit or entity may conflict with the interests of customers of another Exotix business unit or entity or with Exotix's own interests. Further Exotix insists on strict customer confidentiality to ensure that information is disclosed only to those entitled to receive it or otherwise with the prior approval of the Compliance Officer.

Where required, Exotix will arrange for the supervision and/or functional segregation of its employees and/or parts of its business carrying out activities for clients whose interests may conflict, or where the interests of its clients and its own interests may conflict. These steps

are designed to prevent the simultaneous involvement of a relevant person in separate services or activities where such involvement may impair the proper management of conflicts.

(e) Inducements to Employees from Customers

Staff are not allowed to accept gifts, entertainment or any other inducement from any person which might benefit one customer at the expense of other when conducting investment business. For example, where two customers give similar orders and one customer agrees to pay more commission, priority or better execution terms must not be granted to that customer's order when it conflicts with obligations owed to the other customer.

Exotix staff are not allowed to place undue pressure upon customers to persuade their customer to trade through the firm to the extent that this might give rise to a conflict of interest between that customer and its own underlying customers

(f) Group Companies

Customers are to be informed of the relationship where the counterparty to the deal is another Exotix Group Company or where the services of another Exotix Group Company is recommended.

(g) Remuneration Policy

All relevant staff who are open to a conflict of interest are paid a basic salary including those in key support areas such as Compliance, Finance and Operations. This salary is not dependent on company performance. A bonus structure does exist which is linked to company performance, team performance or the individual's performance. It is at the discretion of the senior management and notified only on payment.

(h) Disclosure

As a last resort, where there is no other means of managing the conflict or where the measures in place do not, in the view of Exotix's, sufficiently protect the interests of customers, the conflict of interest will be disclosed to customers to enable an informed decision to be made by the customer as to whether they wish to continue doing business with Exotix in that particular situation.

(j) Declining to Act

Finally, where Exotix considers it is not able to manage the conflict of interest in any other way it may decline to act for a customer.

Further copies of this Conflicts of Interest Policy is available on www.exotix.co.uk If you would like further detail regarding our policy please contact your Exotix advisor who will be happy to assist. Alternatively details may be obtained by contacting the Compliance Officer on: +44(0)207-725-1078.