

J. STERN & CO.

Risk Statement

Understanding risk

All forms of investment involve risk. The value of investments and the income derived from them is not guaranteed and it can fall as well as rise. Changes in exchange rates or taxation may have an adverse effect on the price or value of or income from investments. Investment returns may be constrained by charges levied and inflation may reduce the value of investments.

These are only some of the risks involved in investments and in deciding your objectives and any restrictions that you wish to impose, we would draw your attention to the following generic terms and risks and our interpretation of them.

Our Approach to Risk

Our approach is to empower you to understand the balance of risk and reward in your portfolio so that you are able to engage with us as your portfolio evolves over time. We therefore want you to understand the nature of all investments that you own and the potential risks relevant to them. If you have any questions, please do not hesitate to ask.

Suitability and Changes in Circumstances

If there is any change in your circumstances, whether you think it affects your portfolio or not, let us know. This does not just cover the information that you have provided to us in your Client Profile and Investment Guidelines, Objectives and Constraints. By working together, we can ensure that your investments are suitable for you.

Past Performance

Past performance is not a guide to future performance. You should remember that the value of an investment and the income received from an investment can go down as well as up, and that you may not get back the amount you invested.

Diversification

Diversification reduces security specific risk. It means that the portfolio has a risk level lower than the weighted average risk of its constituent assets, closer to that of systemic risk.

While our portfolios are more concentrated than others, this allows them to benefit from the performance of individual investments while providing an appropriate level of diversification.

Risk and Reward

Risk and reward are generally related to each other: where more return is sought, more risk is incurred. We argue that no investment (even cash) has zero or no risk.

Bespoke Portfolios

We seek to construct your portfolio on a bespoke basis based on the investment approach outlined in your agreement with us. Any decision we take or advice we give is based on your Client Profile, Investment Guidelines, Objectives and Constraints. This may lead to substantial differences in composition and performance between portfolios of different clients.

Benchmarks

Our decisions are not driven by any benchmark index. We are not index trackers or closet index trackers and we will construct your portfolio based upon our view how to best fulfil your objectives.

Risk Monitoring and Limits

We monitor the risk of your portfolio to ensure that it is consistent with your Client Profile and Investment Guidelines, Objectives and Constraints. We do not treat desired exposures as formal limits, as they could force us to buy or sell when we might not consider this to be timely or prudent as a result of market movements or individual share price movements. We may only act if imbalances are sustained and material.

Building Portfolios

When a portfolio is first created from cash or existing investments, or cash or investments are added to an existing portfolio, our bespoke approach can lead to investments being made over an extended period of time.

Types of Risk that are Applicable to your Portfolio

While our investment research is geared towards identifying investments that contribute towards your investment objective, the chance of an adverse outcome is inherent in any investment. These could be internal to the business invested in, or external from changes in the business environment or competitive landscape.

Portfolios that we manage will be exposed to a number of types of risk. These risks include:

Counterparty risk: The risk that a party connected to an investment or transaction is unable to meet its commitment.

Credit risk: The risk of an issuer defaulting and being unable to repay the principal investment or financial gain.

Equity risk: The risk that the value of the equity in a company becomes impaired or worthless as the company's business deteriorates or becomes insolvent.

Foreign Exchange Risk: The risk arising when an investment is made in a country other than your main or base currency.

Inflation risk: The risk that the real value (the value adjusted to remove the effects of price changes over time) of an investment will fall as a result of the rate of inflation exceeding the rate of return on the investment.

Liquidity risk: The risk stemming from inability to buy or sell an investment quickly enough to prevent or minimise capital loss.

Market risk: The risk that the value of an individual investment or portfolio will fall as a result of a fall in financial markets.

Political risk: The risk stemming from a change in government policy or regulation that has an effect on the value of an investment. Such risk exists in all countries, without exception.

Security Specific risk: The risk that a specific security may alter in price, independently of the systemic risk of the financial markets in general or in the asset classes that you are looking at.

Systemic Risk: The risk inherent in financial markets in general or in the asset classes that you are looking at.

Volatility: A statistical measure of the tendency of an individual investment to have significant fluctuations in value. Generally, the higher the volatility, the riskier the investment.

This Risk Statement reflects our current practice and may be changed at any time.

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Best Execution Policy

Overarching Principles

The FCA requires a firm which provides portfolio management services to comply with the obligation to act in accordance with the best interests of its clients when placing orders with other entities for execution that result from decisions by the firm to deal in financial instruments on behalf of its clients (“best execution”). The rules on best execution are contained within the FCA’s Conduct of Business Sourcebook (COBS 11.2) and implement the requirements of the Markets in Financial Instruments Directive (MiFID).

The objective to deliver these obligations ties in with J Stern & Co LLP’s obligations under the FCA Principles and any separate fiduciary duties or contractual obligations that Stern owes its clients. Stern ensures that when transmitting or placing orders with other entities for execution, it will seek to establish that those entities comply with Stern’s best execution requirement. This means that Stern has an overarching duty of best execution to its clients, and any third-party providers that Stern uses to execute orders owe a duty of best-execution to us.

Our Policy

Where Stern acts as an investment manager, it places orders in the course of the discretionary investment process. All clients are classified as professional clients, and Stern neither holds client money nor deals on own account with its clients.

In order to achieve the best results for the client, Stern has put in place execution arrangements as described with this execution policy.

Notwithstanding the above, Stern is unable to guarantee that “best execution” will occur in respect of every order, however as part of our overarching obligation we will provide the best possible result on a consistent basis. Nonetheless, at times, client instructions may take precedence over this policy, and such instructions are recorded by us.

This policy below will only be relevant when Stern transmits or places orders with other entities directly such as brokers, liquidity providers or MTF’s for execution.

Our clients compensate Stern by way of investment management fees. In keeping with our regulatory and legal duty to avoid conflicts of interests Stern and all staff have a direct interest in ensuring the best possible execution for our client.

Specific Instructions

Stern may follow different arrangements when specifically instructed by a client to do so either for a whole order, or for a part of an order. Clients should take note that where Stern follows specific instructions, there may be circumstances, due to no fault of our own, where it is impossible to take all reasonable steps to meet our overarching obligations. This is particularly true in respect of complex or illiquid instruments, or limited execution venues, therefore it may be inappropriate to judge best execution against the price achieved. In such instances Stern will use commercial judgement and at a price deemed appropriate by an investment manager or trader.

Order Execution Venues

An execution venue is where a client order is executed. Stern has entered into mandates with the client’s broker/custodian. Stern agrees to pass on the order to the client’s broker/custodian which executes the order in the market. The client’s broker/custodian will not make public any limit order placed with them in respect of shares on a regulated market, where that order cannot be immediately executed under prevailing market conditions.

Additionally, certain orders may be executed outside regulated or non-EU markets or MTF’s. A client’s express consent to deal in un-regulated or non-EU markets or MTF’s is required. This consent will be mostly in the form of a general agreement although may on occasion be in respect of individual transactions.

The execution venue is determined by the client agreement with Stern. As part of signing up the client Stern will have validated with the client’s broker/custodian that it is able to execute trades for the client with them.

Selection of Best Execution Factors

Stern will consider the differences in investor’s objectives when selecting the weighted importance of best execution factors. These factors, as defined in COBS 11.2.6 are:

- The characteristics of the execution venues determined by the client;
- The characteristics of the client;
- The characteristics of the client order; and
- The characteristics of the financial instrument to which that order relates including but not limited to size and nature, market impact of the order.

As indicated, the methodology in selecting an appropriate execution venue may be varied by specific instructions by the client. Stern generally considers the most important factor of the execution factors to be ranked as:

1. Price and related execution costs;
2. Speed of execution;
3. Size of the order; and
4. Settlement efficiency.

Additionally Stern relies on “other” factors when selecting best execution factors such as expertise, trading insights, value added service (research), and market knowledge when placing an order.

Stern directs the execution of all its trades to the client’s custodian/broker as prescribed in the client agreement with Stern and all trades are executed on venues selected by the client and its custodian/broker.

Monitoring and Review

Stern will review monitor on a regular basis the effectiveness of this policy and the execution quality of the entities identified in the policy. The policy will be reviewed at least annually or when there is a material change with a view to identifying and, where appropriate, correcting any deficiencies revealed by the review. We will assess whether the execution venues and brokers to whom we transmit Orders provided the client with the best possible result. .

Communications with Clients

Further information may be disclosed upon request. Further any material changes to policies or arrangements will be notified in writing to clients. Stern will also provide relevant information at the request of the client to demonstrate conformance with this policy. For all questions relating to this policy please do not hesitate to contact the Compliance Officer.

This Best Execution Policy reflects our current policy and may be changed at any time.

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Conflicts of Interest Policy

This document sets out J Stern & Co LLP's policy on conflicts of interest, gifts and inducements.

Definition

An actual or potential conflict may arise when, in the exercise of its activities and services, the interests of:

- Stern (including its managers, employees and appointed representatives or any person directly or indirectly linked to them by the control) or
- its associates

and the interest of its clients, are directly or indirectly in competition, and which could significantly prejudice the clients' interests.

Identifying situations where a conflict may arise

The circumstances giving rise to conflicts of interest includes all cases where there is a conflict between the interests of Stern, an individual member of staff, certain persons directly or indirectly connected to Stern; and the duty that Stern owes to one or more clients.

Conflicts of interests could prejudice a client in various ways, whether or not Stern suffers any financial loss and independently of whether the actions or the motivations of the employees involved are intentional. For the purposes of identifying the types of conflicts of interest that arise, or may arise, Stern must take into account, as a minimum whether the firm, a relevant person (e.g. a partner, employee or an appointed representative or a director, partner or employee of an appointed representative or a person who is directly involved in the provision of services to the firm or its appointed representative under an outsourcing agreements) or a person directly or indirectly linked by control to the firm:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of the service to, or a transaction carried out for, a client which differs from the client's interest;
- carries on the same or similar business as the client; and/or
- receives an inducement from a third party in the execution of the service provided to the client, other than the standard commission/fee for that service.

Stern has identified the following general types of potential conflicts of interest. Conflicts of interest may arise because:

- the firm or an associate undertakes designated investment business for other clients including its associates (and the clients of its associates);
- a partner or employee of the firm, or of an associate, is a partner/director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of a client;
- a partner or employee of the firm, or of an associate, is involved in the management of any company whose securities are held or dealt in on behalf of a client;
- a transaction is effected in units or shares of a fund or company of which the firm or an associate is the manager, operator or adviser;
- a transaction is effected in securities in respect of which the firm or an associate, or a partner or employee of the firm or an associate, is contemporaneously trading or has traded on its/their own account or has either a long or short position;

Prevention and management

Stern has identified specific potential conflicts of interests which may arise in relation to its activities. The general nature and/or source of these conflicts will be disclosed to clients before undertaking business in sufficient detail to enable the client to make an informed decision about the service in the context in which the conflict has arisen. For each potential situation, Stern has analysed whether or not the risk is actual or potential for one or more of its clients.

It is not always possible to prevent actual conflicts of interest from arising. In that case Stern will try to manage the conflicts of interests by any of the following means as appropriate; declining to take on the new client, segregation of duties, implementing Chinese Walls or establishing a Chinese Wall.

Inducements including gifts and hospitality

Stern maintains business relationships with third parties who may remunerate Stern in the form of management fees which can constitute monetary or non-monetary benefits thereby impairing Stern's fiduciary duties to the client. The FCA Rules classify these as inducements. Further details are included in the Compliance Manual.

Gifts and hospitality could lead to potential conflicts of interest. No employee may accept from, or give to, any person any gift or other benefit that cannot properly be regarded as justifiable in all circumstances. Policies and procedures have been implemented to ensure that staff and their connected persons do not offer or accept gifts or inducements which may give the perception that decisions or actions are not impartial. Small gifts between £100 and £500 received or given must be notified to the Compliance Officer. In instances where the gift/hospitality are above £500, the Compliance Officer must be informed and written approval will be required.

These policies are set out in the Compliance Manual. All employees must act with the highest standards of integrity to avoid any allegations of conflicts of interest. A record is kept by the Compliance Officer of any gifts or hospitality received or given. Where an invitation to a hospitality event could be construed as being a business inducement, it must be declined and the Compliance Officer informed.

Anti-Bribery

Stern prohibits the offering, the giving or acceptance of any bribe intended to induce an 'improper performance' of a relevant function or activity. This applies to any employee, or associated person, whether they are situated in this jurisdiction or extra territorially. Stern's Anti-Bribery Policy supplements procedures currently in place and demonstrates its commitment to preventing bribery.

Personal account dealing

Employees may only undertake personal investment activities that do not breach applicable law or regulation, do not unduly distract from their employment responsibilities and do not create an unacceptable risk to the company's reputation. Transactions should also be free from business and ethical conflicts of interest. Employees must never misuse proprietary or client confidential information in their personal dealings and must ensure that clients are never disadvantaged as a result of their dealings.

Stern's Personal Account Dealing Policy has been established to ensure that personal account dealing by members of staff comply with this policy. This includes a prohibition from personal account dealing in certain stocks as outlined and post-notification within a set timescale for all other transactions.

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Stern's Personal Account Dealing policy is set out in the Compliance Manual.

Outside employment and business interests

No employee may engage in any additional occupation without the consent of the firm. In certain circumstances, consent may be withheld.

Employees must not accept personal fiduciary appointments (such as trusteeships or executorships other than those resulting from family relationships) without first obtaining written approval from the Compliance Officer.

Conflicts between clients

There may be instances where Stern acts for multiple clients. In such circumstances Stern takes stringent actions by enacting Information Barriers between business lines, deal teams and other shared service areas. Should this not prove sufficiently adequate, or where the risk of an actual conflict of interest giving rise to a material damage to one or more clients, Stern is under a duty to inform both clients that a conflict of interest exists. Stern is not allowed to disclose the identity of the conflicting party, but must give both parties the option to either terminate the existing business relationship, or to waive the conflict of interest and preserve the business relationship.

Stern may act for different clients acquiring or disposing of the same financial instruments. In such circumstances we adhere to our Best Execution Policy for the client. Each client will also have a segregated portfolio and each client has a separate custodian/broker which executes trades on its behalf. In circumstances where Stern is issuing instructions to two separate custodians or brokers on behalf of its clients, it will not advise this fact to the executing broker or custodian and thus the executing broker/custodian will act according to its own best execution criteria to achieve the best result for its client and will be free from any conflict.

In certain cases, Stern may disclose the general nature and/or source of potential or actual conflict to the client in writing before undertaking business on its behalf so that the client can decide whether or not to accept these potential conflicts.

If it is not possible to avoid or manage a conflict of interest, Stern may have no choice but to decline to provide the service requested.

Record Keeping

Under SYSC 10.1.6 Stern must keep and regularly update a written record of the kinds of investment or ancillary services or activities carried out by or on behalf of the firm in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an on-going service or activity, may arise. These records will be for a minimum of six years from the date of creation and are maintained on an on-going basis by the Compliance Officer.

Segregation of Duties

There are several distinct tasks within the discretionary investment management business that could lead to potential conflicts of interest that are mitigated by them being segregated from the individuals directly involved in the task.

Remuneration and oversight

The management oversight and determination of appropriate remuneration of members of staff is conducted by Stern's senior management. Remuneration for non-investment management staff is based on the overall results of the firm and is not based on the success of any transaction. Remuneration for investment management staff may be partly based on the performance of the managed portfolios.

Staff are subject to appropriate management and supervision to ensure that Stern is able to demonstrate that it has appropriate and effective arrangements in place to ensure that conflicts of interest are properly managed.

Information Barriers

Stern maintains appropriate policies in its Information Security and Data Protection Policy and Compliance Manual detailing Insider Lists and Information Barriers often known as Chinese Walls so as to limit or withhold the use of information that is price-sensitive, confidential, and could give rise to market abuse, restrictions on dealing, conflicts of interest, or any other improper or unethical activities.

Stern also maintains and periodically updates the Restricted Lists of financial instruments that are prohibited or restricted from investment as a result of a conflict of interest or inside information.

The Compliance Officer monitors along with the relevant business line managers the effectiveness of these Information Barriers. In some circumstances staff may be taken "across the wall". Where this happens the Compliance Officer must be notified and a record made thereof, along with updating of the Restricted List.

Reporting

Conflicts of Interest situations or potential conflicts situations should be reported to the Compliance Officer immediately.

This Conflicts of Interest Policy reflects our current policy and may be changed at any time.
