

## Conflicts of Interest Policies. A summary.

Sova Capital Limited is committed to identifying, preventing, managing and, where appropriate, disclosing conflicts of interest. The firm is required to ensure that it complies with the requirements set by the regulators. This summary outlines the policies, procedures and measures that Sova Capital Limited (SOVA) has put in place to fulfil this commitment in line with the 'three lines of defence' model, which the firm has adopted for managing its risk control framework.

### Conflicts of Interest

#### What is a conflict of interest?

A conflict of interest (Conflict) can be described as a situation in which someone in a position of trust has competing professional and/or personal interests, which make it difficult to fulfil his/her duties fairly. A Conflict can be due to the competition of legitimate influences (such as acting for multiple clients), or the presence of harmful ones (such as personal gain).

Conflicts can arise between:

- one client and another (client versus client);
- SOVA and a client (SOVA versus client);
- an employee and a client (employee versus client);
- an employee and SOVA (employee versus SOVA); and/or
- one part of SOVA and another (SOVA versus SOVA).

### Identification

Because it provides a wide range of services, SOVA may from time to time have interests that conflict with its clients' interests or with the duties that it owes to its clients. This section seeks to give examples of some of the activities and services undertaken by SOVA and its employees, which could give rise to conflicts of interest:

**Capital Markets Origination (CMO):** the provision of capital markets origination services provides SOVA with confidential or inside information from clients. This information could be utilised by sales and trading teams or employees of SOVA to the detriment of clients and the market, if not managed appropriately.

**Sales and Trading:** SOVA undertakes sales and/or trading on behalf of clients in equities, fixed income, currencies and commodities. For some asset classes, SOVA trades on a principal basis, which requires it to hold inventory positions. This activity could potentially conflict with the interests of a client if, for example, traders become aware of a large impending order which could affect a price movement in the security and they could trade ahead of the client to benefit from this potential price movement.

**Proprietary Trading:** in addition to its CMO and Sales and Trading activities, SOVA has a proprietary trading team who undertake trading on behalf and for the benefit of SOVA. This activity could potentially conflict with the interests of a client if proprietary traders were to become aware of inside information originating from CMO or a large impending client order from the Sales and Trading team, and then trade on the basis of this information on behalf of the firm.

**Investment Research:** when publishing and distributing investment research to a client, SOVA may also be providing CMO services to the subject issuer of the research and may hold positions in related securities before or after its publication. In addition, there is a potential Conflict if the Research department were to provide other SOVA teams access to their research prior to distributing it to clients.

**Pricing or Placing an Offering:** when pricing or advising on the placing of an offering, SOVA could potentially overprice or underprice the offering to the detriment of the issuer client and make recommendations on the placing influenced by existing or future relationships. SOVA proprietary position in securities of the issuer client may also influence pricing decisions.

**Allocation:** when allocating an offering, SOVA could be influenced in its decision making by services provided by SOVA that are not in the best interests of the issuer client or of investor clients.

**Outside Business Interests:** employees of SOVA may have outside business interests which could at times conflict with their duty to SOVA or its clients.

**Remuneration:** the setting of SOVA's remuneration structure could incentivize staff to act in a way, which is detrimental to clients.

**Personal Account Dealing:** employees of SOVA may undertake personal account trading relating to securities, which are also traded on behalf of clients, which could conflict with the interest of the client or could be undertaken on the basis of inside information.

**Gifts and Entertainment:** employees of SOVA will on occasion give or receive gifts and/or entertainment to or from clients. This is a potential Conflict as employees could be induced to favour certain clients over others.

## How SOVA deals with Conflicts of Interests

SOVA has established policies and procedures and has put in place organizational structures that are designed to identify, and prevent or manage Conflicts and safeguard the interests of clients. These include:

### Independent Investment Research policy

#### *Research analysts' independence*

Non-Research personnel, including but not limited to CMO staff, must never attempt to influence the content of a research report. Research analysts are not generally permitted to participate in deal pitches for CMO business. Pitch materials may not contain a promise of research coverage/ favorable research. No Research employee may participate in a road show or preparation of issuer marketing.

#### *Segregation of the Research Department*

The Research Team is both physically and technologically segregated from other business units within the Firm. Only persons with a legitimate business rationale are permitted to enter the Research Department. All research products must be produced

within the segregated area of the Research Department. The technological segregation is achieved by the use of a separate departmental drive access to which is restricted and subject to periodic review.

#### *Supervision and Remuneration of Analysts*

All Research Analysts are supervised by and report to Research Management. Analysts are not supervised by and do not report to personnel from CMO thus the latter may have no input into the evaluation and compensation of Research Analysts. Analyst's remuneration is not linked to any specific transactions or the profitability of particular Sales & Trading desks or CMO groups, but to the overall profitability of the Firm as a whole, which includes CMO and Sales & Trading businesses.

#### *An Analyst's Personal Views*

Each Research Analyst is required to certify in each report that the views expressed in the report accurately reflect his or her views about the subject securities, instruments or issuers and that no part of his or her compensation was, is or will be, directly or indirectly, related to the specific views or recommendations expressed in the research report. A standard certification to this effect is printed on each report or links are provided to the standard certification on the Internet.

A Research Analyst is prohibited from expressing a view that contradicts the view or recommendation already in the public domain. Expressing contradictory views may lead to confusion in the market and could be construed as misleading the market.

#### *Restriction on Analysts' Activities*

The firm restricts Research Analysts from performing roles that could prejudice, or appear to prejudice, the independence of their investment research and therefore analysts must not engage in investment banking activities such as CMO activities including underwriting, are prohibited from participating in "pitches" for new business. Additionally, Research Analysts are generally prohibited from being involved in an issuer marketing. Pitch materials may not contain the promise of research coverage or favorable research in any way.

#### *Coverage Decisions*

All material change in research ratings, target prices, decisions to commence, continue, suspend, resume or terminate research coverage are entirely those of the Research Department and pre-approved by the Research Review Committee.

#### *Inducements and Inappropriate Influences*

The firm's employees may not promise, imply, communicate or offer a favorable or specific research rating or price target to anyone as consideration or inducement for the receipt of compensation, gift or other business, for example in exchange for the award of a CMO mandate.

The firm's procedures specifically prohibit Research Analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of investment research and from: offering or accepting any inducement to make a specific recommendation or express a particular view in an investment research report or during the course of a public appearance.

### *Research Analysts' Personal Account Dealing*

Research Analysts are generally prohibited from undertaking any personal account transactions on their own behalf or on behalf of others if the trade relates to an issuer and/or financial instrument covered by the Research department. This prohibition extends to an issuer and/or financial instruments, which may be affected by the price of a financial instrument covered by the Research Analyst.

### *Non-selective dissemination*

Investment research reports and other material commentary are distributed simultaneously to both external and internal clients, e.g. Sales and Trading, through distribution channels approved by the firm.

### *Research Analysts' Personal Interests*

Research analysts may not serve as officers, employees or advisers to a company in the sector they cover and must observe the requirements of the Outside Business Interests Policy of the firm.

## **Other policies, procedures and tools**

### **Fair and equal treatment**

The firm always treat clients fairly and equally when either advising them or dealing on their behalf.

### **Independence**

The firm's staff must always act with independence. In particular, where an employee is aware that they or the firm has a material interest, which could influence their dealings with a client, that interest, must be disregarded and the employee must act in the interests of the client.

### **Disclosure of an interest to a client**

Disclosures make clients aware of situations where the firm's objectivity and independence may be biased. Disclosures must be clear, appropriate, sufficiently complete and timely to be meaningful and comprehensible to a client to allow the client to assess the conflict situation and take an informed decision with respect to the service to be provided. Disclosures are a measure of last resort used only where the organisational and administrative arrangements established by the firm to prevent or manage its Conflicts are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented.

### **Mitigating action and declining to act**

Where a conflict is identified, and where the conflict could be materially detrimental to conduct or decisions taken by the firm or to the interests of one or more clients, mitigating action must be taken.

It is important to avoid the creation of a Conflict. In extreme cases, due to the acute or pervasive nature of a conflict or if a Conflict cannot be adequately managed, the firm should decline to offer the firm's services to the client.

## **Conflicts Register**

The firm maintains a Conflicts Register. It includes the types of activities and services that have given or may give rise to a Conflict entailing a risk of damage to the interests of one or more clients as well as lists the mitigating actions taken by the firm. The Conflicts Register is reviewed and updated in response to significant changes or annually (whichever occurs earlier).

### **Information barriers**

These are internal organisational arrangements to avoid Conflicts by controlling, managing or restricting as deemed appropriate the flow of privileged information between different areas of business or within a specific division or department. These barriers allow staff and departments to act independently of each other. In particular, Information barriers (often referred to as “Chinese Walls”) are a key tool for Conflicts prevention by avoiding insider dealing and market manipulation risks, and providing controlled procedures for the movement of personnel and information from one business area of SOVA to another.

### **Monitoring and review**

Business unit controls are supported by monitoring conducted by Compliance and reviews undertaken by auditors. Compliance uses control lists (watch, restricted insider list) to ensure Conflicts related to possession of inside information are properly monitored and managed.

### **Conduct of business procedures**

These address *inter alia* Conflicts and the obligation to act in the client’s best interest such as policies and procedures dedicated to best execution, client order handling, the CMO manual, the Research manual and the operational procedures of the Control Room of the Compliance department.

### **Personal conduct procedures**

e.g. regarding personal account dealing, outside business interests, prevention of bribery and corruption, handling gifts and entertainment.

### **Remuneration**

Remuneration in the firm is performance-related. When assessing individual performance financial, but also non-financial criteria such as adherence to effective risk management and compliance with the regulatory requirements are taken into account. The firm’s remuneration practices promote the independence of the Research department and departments performing control functions.

### **Supervision**

The principles of separate supervision are observed at all times to prevent conflicts of interest: supervision of the departments performing control functions is separate from those of departments, which activities are subject to the control by the former.

SOVA will take all reasonable steps to identify, and prevent or manage, Conflicts.