



This Document describes Hawksmoor's Responsibilities for:

- (1) Treating Customers Fairly**
 - (2) Dealing with Complaints**
 - (3) Achieving "Best Execution"**
 - (4) Client Account Protection**
 - (5) Dealing with Conflicts**
 - (6) Meeting its Regulatory Financial Resource Requirements**
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I. Treating Customers Fairly

I. TREATING CUSTOMERS FAIRLY (TCF)

- 1.1 This is one of the primary long term initiatives of the FSA directly impacting all regulated businesses with a retail client base.
- 1.2 The FSA has defined six consumer outcomes, explaining what they want TCF to achieve for the retail client or consumer.

2. Consumer Outcomes

Outcome 1:

Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

Outcome 2:

Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

Outcome 3:

Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

Outcome 4:

Where consumers receive advice, the advice is suitable and takes account of their circumstances.

Outcome 5:

Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

Outcome 6:

Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

3. The Hawksmoor approach to TCF

We at Hawksmoor Investment Management are determined that in all its dealings with its clients that they are treated fairly. This requires us to treat client needs equally with those of our shareholders and staff to achieve a fair result for all. Our approach to the provision

of services includes clear contract terms, transparent charging, efficient resolution of client queries or complaints and effective management of any conflicts of interest.

2. Dealing with Complaints

2.1 Whether they are an expression of dissatisfaction from or on behalf of one of our clients, whether in writing or verbal and whether justified or not, complaints must be dealt with in accordance with the FSA's requirements which briefly are as follows:

All complaints will initially be referred to the Compliance Officer, Clive Warburton at 3 Barnfield Crescent Exeter Devon EX1 1QT. A complaint may concern a regulated product or service or a non-regulated activity but in either case we undertake to resolve the matter in a timely manner and will keep you informed of progress. So far as regulated complaints are concerned these may be defined as:

- the issue is raised by or on behalf of an eligible complainant (i.e. a private customer);
- the dispute relates to regulated activity;
- the dispute involves an allegation that you have suffered, or may suffer, financial loss, material distress or material inconvenience;
- the dispute has not been resolved by close of business on the day following receipt.

2.2 If a dispute does not fall within the above definition then it will be treated as a dispute about a non-regulated activity. We will acknowledge your complaint in writing within 5 working days. Our letter will set out our understanding of the dispute and invite you to let us know if our understanding of the nature of your complaint is correct. The acknowledgement letter will outline the result of the investigation, if it has been completed by then. If it has not been completed, we will:-

- investigate the issue and respond within 4 weeks;
- highlight that if the investigation is not completed within 4 weeks following the initial receipt of the complaint, you will be informed of the reasons for the delay and will be given an indication of the expected timescale to provide a final response ; and
- point out that on completion of the investigation you will be informed of the outcome and the options available to you.

2.3 If the complaint is against another authorised firm we will forward the complaint on to that firm promptly and advise you of the fact giving you details of how to contact the firm. We will write to you giving you our final decision and advising you that, if you are dissatisfied with the outcome, you may refer the matter to the Financial Ombudsman Service within six months of the letter. The letter will include the name, address and telephone number of the Ombudsman and a leaflet about the Ombudsman's arrangements.

2.4 If the complaint is against another firm and us, we will investigate the part against us and will forward details of your complaint to the other firm. We will send you the contact details of the other firm. If the complaint is against a firm that was but is no longer authorised, we will refer the matter to the Financial Services Compensation Scheme and provide you with the contact details.

- 2.5 On completion of the investigation, we will write to you advising you of the outcome of the investigation, the nature and terms of any settlement and that, if you are dissatisfied with the outcome, you may refer the matter to the Financial Ombudsman Service within six months of the letter. The letter will include the name, address and telephone number of the Financial Ombudsman Service and a leaflet about the Ombudsman's arrangements.
- 2.6 Occasionally we may not have completed our investigation within 4 weeks, in which case we will write to you to inform you that the investigation is continuing, to explain the reasons for the delay and to provide an estimate of when we expect to be able to contact you again.
- 2.7 If, unusually, we have not have completed our investigation within 8 weeks, we will write to you informing you of the reasons for the further delay and that, if you are not satisfied with progress, you may refer the complaint to the Financial Ombudsman Service. The letter will include the name, address and telephone number of the Ombudsman and a leaflet about the Ombudsman's arrangements.

3. Achieving “Best Execution” when acting for our discretionary, execution only and advisory clients

Hawksmoor is required to obtain “best execution” when trading in quoted securities on behalf of our clients. Best execution does not however apply to collective investments.

What this means is that when buying and selling quoted securities we must ensure that the prices those orders receive reflect the optimal mix of price, cost, speed, method and or likelihood of execution, settlement, size of trade, nature or any other relevant consideration (“best execution”).

So when executing orders in quoted securities, either on your behalf, or when dealing in the course of managing your portfolio, we take all reasonable steps to obtain the best result for you on a consistent basis. Upon receipt of your order, or following the decision to deal, we will instruct your settlement agent Pershing Securities Limited (which is authorised and regulated by the Financial Services Authority) to follow their order execution policy contained within the Hawksmoor Client Account Guide.

For straight forward sales and purchases in quoted UK stocks that are up to normal market size, Pershing's Retail Service Provider, Nexus RSP Trading, will use an electronic trade execution system provided by Proquote. This system is a portal that automatically and simultaneously requests a quote from up to circa 22 potential market makers on the London Stock Exchange, and selects the best quote.

If we can match your order with that of another Hawksmoor client, we may execute your order by instructing Pershing to “cross” the trade. This is known as an “agency cross trade”, and means that the transaction will not take place on an exchange, but be a book transfer at mid-market price. We will only deal on this basis if it is in your best interests to do so.

For sales and purchases that are for securities quoted outside the United Kingdom, or are complex, or are above normal market size, Pershing will use their discretion in placing the trade. The execution venue that they will use will depend on the exact nature of the trade, but will typically be executed through:

Arbuthnot Securities	Royal Bank of Canada
Canaccord	Panmure Gordon
Singer Capital Markets	Liberium
Seymour Pierce	Novum Securities
KBC Peel Hunt limited	JP Morgan Cazenove
Jefferies International	Shore Capital
Citadel	Winterflood Securities
Collins Stewart	XCAP Securities Ltd
DB x-trackers	Evolution Securities
Fox Davies	

These market makers have been selected according to the criteria outlined above.

In the case of the Vanbrugh Fund Hawksmoor has selected a number of brokers also in accordance with the criteria outlined above. As at 4th November 2010 these included:

Arbuthnot Securities	Oriel
Canaccord	Singer Capital
Cazenove	Winterfloods
Cenkos	Collins Stewart
Matrix	

4. Client Account Protection

Pershing is required to comply with the FSA's Client Asset Rules which help protect investor assets in several ways, including:

- **Asset Segregation**—to comply with FSA Client Asset Rules, investors' assets, are held in trust in accounts segregated from Pershing's own assets. Therefore, in the unlikely event of default by Pershing, investors' assets would be allocated to the beneficial owner. These assets would not be considered as belonging to Pershing and therefore would not be used to repay Pershing's creditors in the event of liquidation.
- **Verification of Asset Records and Instructions**—Pershing is required to perform regular checks to verify that investor assets held in trust are accurately recorded. There must also be specific agreement as to who can issue and receive instructions on an investor's assets and the extent of their authority.

5. Dealing with Conflicts

Hawksmoor recognises that, in the course of its business, there are circumstances which may give rise to a conflict of interest entailing material damage to its clients.

This section identifies those circumstances and sets out the specific measures that Hawksmoor employs to manage these actual or potential conflicts of interest.

1. **Dealing as principal**

Hawksmoor does not hold principal positions in securities, or deal on its own account.

2. **Investment Research**

Hawksmoor does not procure or produce its own investment research.

3. **Personal dealing by officers and associates of Hawksmoor**

Hawksmoor investment staff may hold positions in the Vanbrugh Fund and other securities included within our discretionary portfolios. Hawksmoor has a policy that controls personal account transactions undertaken by Hawksmoor investment managers and administrative staff. All staff are required to complete a personal account dealing form where applicable which is signed off by the compliance officer. This policy ensures that personal account transactions do not disadvantage, or conflict with the interests of Hawksmoor's clients.

Hawksmoor also makes clear in its marketing communications the circumstances in which a Hawksmoor employee may be holding personal positions in any of the securities mentioned.

4. **Gifts and inducements**

Hawksmoor operates a policy that obliges advisers to declare any gifts or inducements that they have received over the value of £100. Hawksmoor maintains a register of these gifts.

6. Meeting its Regulatory Financial Resource Requirements

“PILLAR 3 RISK DISCLOSURE STATEMENT”

1. **Introduction**

The firm is required to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the firm and the risk assessment process it has in place to monitor them. These disclosures are seen as complementary to the firm's minimum capital requirement calculation (Pillar 1) and the internal review of its capital adequacy (Pillar 2).

2. **Capital resources**

As at 30 November 2009, the firm maintained capital resources as follows:

Tier 1 capital*	£1,045,423
Tier 2 capital	Nil
Tier 3 capital	£90,000
Deductions from Tiers 1 and 2 intangible assets	£553,986
Total capital resources	£581,437

*No innovative tier one capital is held

The capital resources detailed above are considered adequate to continue to finance the firm over the next year. No additional capital injections are considered necessary and the firm expects to continue to be profitable.

3. **Credit risk**

The firm regularly monitors amounts due from its clients and has appropriate credit control procedures in place. The credit control process is operated by the firm's Financial Controller together with Bishop Fleming, the firm's accountants and outstanding balances are reported to senior management on a monthly basis via the management accounts. Any significant issues arising intra-month would be reported immediately. Bishop Fleming, the firm's accountants, prepares bank reconciliations on a monthly basis in order to ensure the firm's records are in agreement with those of the bank. Given the nature of the firm's exposures, no specific policy for hedging and mitigating credit risk are in place.

The firm has a limited number of credit exposures relating to its investment management clients, to whom a risk weighted exposure of 8% of the total balance due is applied under the simplified standardised approach detailed in BIPRU 3.5.5 of the FSA Handbook. All bank accounts are held with Arbuthnot Latham & Co Ltd, a recognised third party credit institution and as such are subject to a risk weighted exposure of 1.6% in accordance with BIPRU 3.4 of the FSA Handbook.

4. **Market risk**

No specific strategies are adopted in order to mitigate the risk of currency fluctuations. Losses arising on foreign exchange movements are monitored on a regular basis and reported to senior management via the monthly management accounts. The firm does not run a trading book. The firm at present does not have an exposure to debtors and to cash balances held in currencies other than GBP. However, were it to have such an exposure the firm would calculate any such foreign exchange risk by reference to the rules in BIPRU 7.5.1 of the FSA Handbook. The firm would therefore apply an 8% risk factor to its foreign exchange exposure.

5. **Business risk**

The firm conducts a formal assessment of the business risk to which it is exposed on an annual basis, though given the size and nature of the firm no separate risk management function is considered necessary in respect of the firm's own balance sheet. Matters arising from the review are considered and mitigating or remedial action is taken where appropriate.

The firm's revenue is reliant on the performance of the existing funds under management. As such, the risk posed to the firm relates to investment underperformance resulting in a decline in revenue and ultimately the risk of redemptions from the funds managed by the firm. This risk is mitigated by the continued support of the firm by its UK parent.

6. **Operational risk**

The firm conducts a formal assessment of the operational risk to which it is exposed on an annual basis. Whilst no separate risk management function is considered necessary in respect of the operational risks which the firm faces given its size and the nature of the risks faced, risk management remains a key function of the firm's business in respect of the portfolios it manages. Matters arising from the review are considered and mitigating or remedial action is taken where appropriate.

The firm has professional indemnity insurance in place to mitigate against the risk of costs being incurred due to trade errors occurring. The insurance cover is provided by Magian. The firm is

reliant on its ability to attract and retain key investment management personnel. Appropriate policies are in place to mitigate this, including thorough vetting procedures and an appropriate remuneration structure.

The firm has alternative arrangements in place should a disaster recovery event occur. These arrangements are tested on a regular basis in order to ensure that they would be effective should they be required to be invoked.

7. Fixed Overhead Requirement

The firm's Pillar 1 capital requirement is determined by its Fixed Overhead Requirement (FOR), calculated in accordance with GENPRU 2.1.53, since this is typically the largest of the variable factors to consider. The firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is monitored by the Financial Controller together with the firm's accountants, Bishop Fleming, and reported to senior management on a monthly basis.

The firm calculates its FOR after first deducting variable costs from its annual expenditure. Variable costs deducted when calculating the firm's current FOR relate to discretionary bonuses paid to staff, non recurring staff related, legal and tax advisory costs as well as exchange rate losses.

8. Consolidation

The firm is a member of a group. However it has been determined that no consolidation is required for accounting purposes under IFRS. The accounts of the group and of the subsidiary companies are prepared on the going concern basis.