

# Investment research policy

This document provides information about the Investment Research Policy ('the Policy') of the Close Brothers Asset Management ('CBAM') division of Close Brothers.

## Introduction

### Our belief in investment research

We recognise how important carrying out in-depth and high quality research is for good investment and client outcomes. Investment research is critical to everything we do at CBAM and we have an in-house resource to carry this research out to an institutional standard. We supplement this with third party research where necessary. This Policy aims to provide you with an understanding of how we conduct and pay for research in a compliant manner, in accordance with the requirements of our regulator, the Financial Conduct Authority ('FCA').

### Who uses investment research at CBAM?

Investment research – whether internal or external – is used by the investment professionals at CBAM such as investment managers, asset allocators and analysts.

### What financial instruments does it cover?

As a multi-asset investor we write and receive investment research on a range of financial instruments, for example equities, fixed income, alternatives, investment trusts and collective investment schemes.

## Investment research

### What is investment research?

For CBAM, investment research covers not only the research notes on individual companies written by our internal analysts, sector specialists or investment managers, but also reports received from third parties such as investment banks and independent research providers. It can also include meetings or telephone calls with these third parties. Typically such third party research is deemed to be substantive in nature. This means research material or services concerning one or more financial instrument or other assets, and which:

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explicitly or implicitly recommends or suggests an investment strategy and provides a substantiated opinion as to the present or future value or price of such instruments or assets; or

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otherwise contains analysis and original insights and reaches conclusions based on new or existing information, that could be used to inform an investment strategy or be capable of adding value to our investment decisions on behalf of clients

### How do you pay for third party investment research?

In compliance with MiFID II guidelines and FCA regulations, CBAM's Policy is to receive third party investment research in return for direct payments by the firm out of its own resources i.e. CBAM's own profit and loss account ('P&L'). We believe that paying for research from P&L encourages cost discipline and rigorous evaluation of research. We do not ask clients to pay separate research charges in order to fund research payment accounts or use other similar arrangements.

### Are you able to trial a potential new investment research provider?

We can trial new providers and are keen to do this in order to increase our understanding of the latest research products and services. In compliance with the FCA's rules, we can only accept a maximum of three months' free trial for each provider and then cannot accept another trial with that provider within 12 months. We track and evaluate our trials in the same way as we evaluate our current investment research providers.

### Can investment research be received for free?

The only research we can use without payment is research that:

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is not substantive (as defined above) and is minor or generic in nature; or

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has been paid for or sponsored by a company to explain their business and strategy; or

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has been received from a free trial with a research provider in order to assess the quality of their product

## Oversight

### What is your approach to unsolicited investment research?

In line with the FCA's rules, CBAM's Policy is not to use unsolicited research, as this could constitute an inducement to trade. Where we do not want to accept research material, we will take reasonable steps to cease receiving it or avoid benefitting from its content, for example, by writing to all those counterparties who we do not have research agreements with to ask them to stop sending us unsolicited research. In addition, our investment management professionals have been trained to refer any unsolicited investment research to the Investment Research Manager for review. The Investment Research Manager may consider this "acceptable" in the scenario where the content received is from an independent research provider or falls under the definition of a minor non-monetary benefit.

**How do you select your research providers?**

We have a rigorous process to select external research providers.

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We first take them on a trial basis for one to three months in order to assess both the quality of the research and the service level provided

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We then canvass all the relevant CBAM investment management professionals to obtain their feedback and rate the quality of the provider's research

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We also ensure that they complement our existing providers and add value to our investment process

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Finally, we use independent valuation benchmarks to derive a price and service level we believe are competitive before negotiating a contract

**Governance****How do you monitor your consumption of research?**

We monitor our consumption of research by keeping an internal log of interactions and asking our providers to send us monthly interaction data. We will then complete regular analysis of the data to ensure the firm is consuming research in line with the commercial agreements in place. This enables us to check through the year how our consumption varies against our research budget so that we can take action accordingly, for example, by directing more resource to a specific area. It also allows us to check that we are paying a fair price for external research and are not being induced to trade with a third party.

**What governance arrangements have you put in place?**

In order to completely separate governance over our investment research and trading arrangements, we have set up two committees: a Best Execution Oversight Committee – External that deals with trading; and an External Research Oversight Committee that focusses on research. The purpose of the External Research Oversight Committee is to:

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review CBAM's consumption of external research to help ensure that best value is being obtained for the firm

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monitor the research budget and ensure that it is used to support all the firm's relevant investment products and services

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ensure compliance with the applicable FCA rules and that any conflicts of interest are identified and managed

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review CBAM's usage of corporate access\*

\* For more information on our approach to corporate access, please refer to our Corporate Access Policy.