

Policy on Payments for Research

November, 2017

Importance of Research to Toscafund Asset Management LLP

High quality research is an important part of our investment process as it allows us to better implement our asset allocation strategies. Research would include meaningful statistics and qualitative analysis provided by third parties with expertise in various investment sectors and refers generally to opinions, materials or services with respect to financial instruments that provide a substantiated support for the present or future value or price of such instruments. We believe that our fund clients derive significant benefits from external research providers who help inform asset allocation and investment decisions.

MiFID II and Inducements

As of 3 January 2018 MiFID II “inducements rules” will prohibit Toscafund from receiving “non-monetary benefits” unless they are “minor”. This prohibition applies to investment research, thus requiring research to be paid for separately from trade execution costs. “Research” is broadly defined and includes *“any material or services concerning one or several financial instruments or other assets...and provides a substantiated opinion as to the present or future value or price of such instruments or otherwise contains analysis and original insights and reaches conclusions based on new or existing information that could be used to inform an investment strategy and be relevant and capable of adding value to the investment firm’s decisions on behalf of clients being charged for that research.”*(Recital 28). “Minor non-monetary benefits” include information and other services that are of *de minimis* value and that are of such a scale that they are unlikely to influence the recipient’s behaviour in any way that is detrimental to the interests of the relevant fund client.

Corporate Access

There may be circumstances in which corporate access type services (e.g. meetings with corporate senior management) qualify as research. Certain types of corporate access may also qualify as minor non-monetary benefits and can be received by Toscafund without payment. We will approach corporate access on a case by case basis.

Research will be paid via a direct charge to relevant funds and paid via a Research Payment Account (“RPA”)

Toscafund intends to pay for research primarily by imposing a direct periodic charge on relevant funds. The amounts charged shall be paid to research providers via a Research Payment Account (“RPA”) that will be established at an independent bank. Amounts will be accrued and deducted at regular intervals from a relevant fund and paid directly into an RPA. These funds will in turn be paid out of the RPA to research providers at periodic intervals as directed by Toscafund. The research providers paid by Toscafund from the RPA may include entities that Toscafund uses to execute its trades and who also provide research services. Research providers may also include other providers who do not execute trades for Toscafund but who provide research services. Payments to research providers will be made on a periodic basis throughout the year. Instructions for payment will be provided by Toscafund in accordance with this Policy. Any unused budgeted amounts will be applied to cover payments in the next research payment period.

Research Budgets and Fair Allocation of Research Costs

Research budgets are formulated based on a number of factors, including amount of consumption, new strategies or asset classes requiring research support, changes in sector coverage and the complexity of research. Valuation of research will be based on an internal broker vote process and data gathered from research management/recordkeeping tools employed by Toscafund. Costs will normally be split pro rata to AUM. Research budgets will be set for each fund within a particular strategy. Currently funds utilising research services broadly fall under two strategies – Global Financials and UK Mid Cap/Micro Cap. In our experience, the same research can benefit more than one fund within the same broad strategy and the cost of such research will therefore be fairly allocated across such funds. It is also possible for funds in one strategy to benefit from research that is primarily used by funds in another strategy due to common holdings or investments in an overlapping sector. We have also seen benefits from cross fertilisation of ideas among portfolio management teams within the firm as a whole. For these reasons we believe it would be reasonable and fair where applicable to allocate costs across strategies as this promotes economies of scale, prevents overpayment for the same, or similar, research and promotes idea generation among investment team members. A process that strictly “silos” and segregates research would be inefficient and not in the best interests of our fund clients. Our fund boards will be asked to approve relevant budgets with these principles in mind.

No Linkage between Research payments to a provider and the volume of transactions executed by the provider

Payments for research shall not be linked to the volume and/or the value of transactions executed on behalf of fund clients.

Annual Disclosure of Research Spending

Toscafund will disclose its spending on research on an annual basis as required.

Ongoing Review

Toscafund will engage in an ongoing review of this policy and its use of research providers and amend this policy as necessary and appropriate giving due regard to our clients’ best interests and our regulatory obligations.