



ESP Business Service

Investment Management Agreement

Investment Management Agreement

This Agreement sets out the terms and conditions that will form a legally binding agreement between each Investor and the Manager from and including the date the Manager accepts your Application Form to invest in the Stellar ESP Business Service (“ESP Business”).

1. Definitions, Construction and Interpretation

- 1.1 In this Agreement the definitions contained on page 32 of the Document dated 20 July 2018 relating to ESP Business issued by Stellar Asset Management Limited shall apply.
- 1.2 Words and expressions defined in the FCA Rules, which are not otherwise defined in this Agreement, shall, unless the context otherwise requires, have the same meaning in this Agreement.
- 1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as from time to time amended, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.
- 1.4 References to the singular only shall include the plural and vice versa.
- 1.5 Unless otherwise indicated, references to Clauses shall be to Clauses of this Agreement.
- 1.6 Headings to Clauses are for convenience only and shall not affect the interpretation of this Agreement.

2. Appointment

- 2.1 By signing the Application Form you agree to appoint the Manager from and including the Effective Date as your discretionary investment manager to manage your ESP Business Company or Portfolio on your behalf on the terms of this Agreement, and the Manager accepts its appointment.
- 2.2 The Manager is authorised and regulated by the Financial Conduct Authority (of 25 The North Colonnade, Canary Wharf, London E14 5HS) under Firm reference number 474710.
- 2.3 The Manager will treat you as a Retail Client for the purposes of the FCA Rules. Retail Clients attract the highest level of protection under the FCA Rules. You have a right to request a different client categorisation but the Manager is not obliged to accept your request. If the Manager accepted your request, you would lose certain protections afforded to Retail Clients under the FCA Rules, details of which are available from the Manager on request.
- 2.4 You confirm that you are an experienced investor in small to medium sized, higher risk and unquoted companies and are suitably knowledgeable about the risks associated with such investments,

including the fact that you may not be able to readily realise your investment and that you have read and acknowledge the Risk Factors on pages 26 of the Document. You acknowledge that we will not arrange for you to enter into a transaction unless it is suitable for you in light of the information we hold about you. We will need to obtain certain information from you in this regard. In particular, in relation to your level of knowledge and experience, as well as your financial circumstances and investment objectives (including your level of risk appetite). We will make a suitability assessment having regard to such facts as disclosed by you and any other relevant facts we are (or reasonably should be) aware of. We are entitled to rely on information provided by you or by any other person with your authority unless we are aware that the information is manifestly out of date, inaccurate or incomplete. Unless we obtain the necessary information from you to assess the suitability of a decision to trade for you, we will not be able to provide services to you.

- 2.5 Where you have received independent financial advice, your independent financial adviser will assess whether our products and services are suitable for you, as required under the FCA Rules. The independent financial adviser shall also endeavour to carry out an annual review of your circumstances, objectives, strategy and risk profile and provide you with an updated

suitability statement as to whether your investments meet your investment requirements on a quarterly basis.

- 2.6 In the event that you have not received any independent financial advice, we will assess suitability as required under the FCA Rules and provide you with an updated suitability statement as to whether your investments meet your investment requirements on a quarterly basis.
- 2.7 You confirm that you are not seeking advice from the Manager on the merits of the Service.
- 2.8 The Investor agrees that the Manager may hold information about them and their affairs in order to verify their identity and financial standing (among other things the Manager or the Administrator may consult a credit or mutual reference agency, which may retain a record of the enquiry).
- 2.9 Anti-money laundering regulations aim to prevent criminal property being used or disguised as legitimate wealth. To satisfy these regulations the Investor may have to produce satisfactory evidence of their identity before the Manager can do business with them, and from time to time thereafter. This identification process is designed to assist in the prevention of crime within the financial services industry. If the Investor does not provide the information when

requested, the Manager may be unable to accept any instructions from them or provide them with any services.

2.10 You have a right to cancel this Agreement within 14 days from the date on which the Manager sends you its form of cancellation by writing to the Manager at Kendal House, 1 Conduit Street, London W1S 2XA.

2.11 If the Investor exercises his or her cancellation rights, the Manager shall refund any monies paid by the Investor less any charges the Manager has already incurred for any service undertaken in accordance with the terms of this Agreement. The Administrator is obliged to hold the Investor's investment monies until the Manager and the Administrator has completed satisfactorily their money laundering checks.

2.12 The Manager and the Administrator will endeavour to arrange the return of any such monies as described at Clause 2.11 as soon as possible (but in any event, not more than 30 days following cancellation). The Investor will not be entitled to interest on such monies.

2.13 If the Investor does not exercise this right to cancel within the requisite time period, the Investor will still be entitled to exercise his or her right under Clause 14 below to terminate this Agreement, which is a separate right.

2.14 The right to cancel under the FCA Rules does not give the Investor the right to cancel, terminate or reverse any particular investment transaction executed for the account of the Investor before cancellation takes effect.

2.15 We reserve the right to delegate any of our functions or responsibilities under this Agreement to another person and you authorise us to disclose to that person such information about your investment as is necessary for this purpose. We will satisfy ourselves that such person is competent to carry out such functions or responsibilities.

3. Making an Investment

3.1 You must make an investment of £100,000 or more at the same time as submitting your Application Form to invest through Stellar ESP Business.

3.2 The Manager may allow you to make further investments (in multiples of £1,000) in its sole discretion but the Manager may refuse to accept further investments at any time.

3.3 You may withdraw all or part of your investment, or terminate this Agreement, in accordance with Clause 14 below.

3.4 Your investment will be deposited in a non-interest bearing client account pending its investment in accordance with this Agreement.

4. Investment Services

- 4.1 You grant the Manager full power and authority to select and exercise all rights relating to Investments on the terms of this Agreement.
- 4.2 You hereby authorise the Manager to act on your behalf and in your name to negotiate, agree and do all such acts, transactions, agreements and deeds, as the Manager may deem necessary or desirable for the purposes of managing your ESP Business Company including making, managing and disposing of Investments on your behalf and this authority shall be irrevocable and shall survive, and shall not be affected by, your subsequent death, disability, incapacity, incompetence, termination, bankruptcy, insolvency. This authority will terminate only upon termination of this Agreement in accordance with Clause 15.
- 4.3 Save as expressly provided in this Agreement, the Manager shall not have any authority to act on your behalf or as your agent.

5. Investment Strategy and Restrictions

- 5.1 In performing its services, the Manager shall have regard to and shall comply with the Investment Strategy and the Investment Restrictions.
- 5.2 In performing its services, the Manager shall at all times have regard to:

5.2.1. the need for the

Investments to attract the Relief; and

5.2.2. all Applicable Laws.

- 5.3 Except as disclosed in the Document and as otherwise provided in this Agreement (for example on early termination), the Manager shall not take any action which may prejudice the tax position of the Investor, in so far as either of them are aware of the relevant circumstances, and in particular which may prejudice obtaining the Relief for the Investor's ESP Business Company.
- 5.4 Surplus cash held as part of your Portfolio pending investment, and in the event of a gradual realisation of Investments prior to termination of this Agreement, any cash proceeds of realised Investments, may be placed on deposit or invested in government securities or in other investments of a similar risk profile.

6. Entering into Investments

- 6.1 In effecting transactions on your behalf as part of the Service, the Manager will act in accordance with the FCA Rules.
- 6.2 You acknowledge and agree to the Manager's best execution policy, a copy of which is in Schedule 1 and that Investments will be executed outside of a Regulated Market, Multilateral Trading Facility and Organised Trading Facility.
- 6.3 The Manager shall devote such time and attention and have all necessary

competent personnel and equipment as may be required to enable them to provide their respective services properly and efficiently, and in compliance with the FCA Rules.

- 6.4 Subject to the FCA Rules, your transactions may be aggregated with those of other Investors and may be aggregated with other customers of the Manager, and of its employees and Associates and their employees. Investments made pursuant to such transactions will be allocated on a fair and reasonable basis in accordance with the FCA Rules and endeavours will be made to ensure that the aggregation will work to the advantage of each of the Investors, but you should be aware that the effect of aggregation may work on some occasions to your disadvantage.
- 6.5 The Manager will act in good faith and with due diligence in its choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this Agreement.
- 6.6 We may combine your orders with orders of other customers. By combining your order with those of others we must reasonably believe that we will obtain a more favourable price than if your order had been executed separately. However, on occasions aggregation may result in you obtaining a less favourable price.
- 6.7 We will always allocate orders which

have been aggregated to our private clients within one business day of completing the transaction, or as soon as it is reasonably practical to do so. When deciding how to allocate an aggregated order we will not give unfair preference to any client or group of clients.

7. Fees and Charges

- 7.1 The Manager shall receive fees for its services as set out in the Document. The Manager's annual fee is payable by the Partnership on a quarterly basis. The Manager will pay the costs of the Administrator.
- 7.2 You agree to reimburse the Manager all reasonable fees, costs and expenses incurred by them in the provision of the services under this Agreement out of your ESP Business Company.
- 7.3 We will provide you, at least annually, with information about costs and charges in aggregated form so you can understand the overall costs relating to your ESP Business Company. If requested, we will provide you with an itemised breakdown of costs and charges information.

8. Administration of a Company

- 8.1 The Manager shall provide investment management, administration, accounting and tax compliance services to your ESP Business Company including ensuring that your ESP Business Company cash

is held in a separated bank account and that the Company's investments in Partnerships are recorded and held in accordance with FCA rules where appropriate. The manager will use the cash in your ESP Business Company from time to time to settle transactions, collect and distribute income and the effecting of other administrative actions in relation to the Investments.

- 8.2 Investments will be registered in the name of your ESP Business Company. Investments within your ESP Business Company will be beneficially owned by you at all times.
- 8.3 Investments or title documents may not be lent to a third party and nor may there be any borrowing against the security of the Investments or such title documents.
- 8.4 An Investment may be realised in order to discharge your obligations under this Agreement, for example in relation to payment of fees, costs and expenses.
- 8.5 You confirm that in no event shall an investment counterparty dealing with the Manager with respect to any document signed or action undertaken for or on behalf of you in accordance with this agreement be obliged to inquire into the necessity or expediency of any act or action of you, the existence or non-existence of any fact or facts which constitute conditions precedent to acts by you or any act or failure to act by you or as to any other matter whatsoever involving you.

- 8.6 You declare that a person who deals with the Manager in good faith may accept a written statement signed by the Manager to the effect that their appointment as such hereunder has not been revoked as conclusive evidence of that fact.

9. Reports

- 9.1 You will be provided with contract notes by the Manager for each transaction executed on your behalf. This will be provided to you within five business days of the date of the transaction.
- 9.2 The Manager shall send you a report relating to ESP Business, complying with the FCA Rules, every three months for the periods ending 31 March, 30 June, 30 September, 31 December. Reports will include a measure of performance once valuations are available for the Investments. Investments will be valued in accordance with appropriate International Private Equity and Venture Capital (IPEVC) valuation rules from time to time prevailing.
- 9.3 The Manager shall supply such further information which is in its respective possession or under its control as you may reasonably request as soon as reasonably practicable after receipt of such request.
- 9.4 Any contract notes, statements, reports or information so provided by the

Manager to you will state the basis of any valuations of Investments provided.

10. Your Obligations

- 10.1 The Manager agrees to provide the Service to you on the basis of the declaration made in your Application Form.
- 10.2 You confirm that the information stated in the Application Form in these (and all other) respects is true and accurate as at the date of this Agreement.
- 10.3 You must immediately inform the Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the Application Form.
- 10.4 In addition, you must provide the Manager with any information which it reasonably requests for the purposes of managing your ESP Business Company pursuant to the terms of this Agreement.

11. Delegation

The Manager may employ agents and sub-contractors, including associates, to perform any administrative, custodial or ancillary services to assist the Manager in performing its services, in which case it will act in good faith and with due diligence in the selection, use and monitoring of agents. Any such employment of agents shall not affect the liability of the Manager under the terms of this Agreement.

12. Conflicts of Interest

- 12.1 The Manager may provide similar services or any other services whatsoever to any customer and the Manager shall not in any circumstance be required to account to you for any profits earned in connection therewith. The Manager shall take all sufficient steps to ensure fair treatment as between you and such customers in compliance with the FCA Rules and to prevent conflicts of interest. The Manager will manage any such conflicts which may potentially arise, subject to and insofar as permitted by the FCA Rules.
 - 12.1.1 the Manager or any Associate may receive remuneration or other benefits by reason of acting in corporate finance or similar transactions involving companies whose securities are held for you;
 - 12.1.2 the Manager or any Associate may take an equity stake in a company whose securities are held for you at a price not below the issue price available to you;
 - 12.1.3 the Manager or an Associate provides investment services for other customers;
 - 12.1.4 any of the Manager's directors or employees, or those of an Associate, is or may become a director of, holds or deals in securities of, or is

otherwise interested in any Partnership whose securities are held on your behalf;

12.1.5 the transaction is in securities issued by an Associate of the Manager or the client of that Associate;

12.1.6 the transaction is in relation to an Investment in respect of which the Manager (or its Associate) may benefit from a commission or fee payable otherwise than by you and/or the Manager or its Associate may also be remunerated;

12.1.7 the Manager deals on your behalf with an Associate;

12.1.8 the Manager may act as your agent in relation to a transaction in which it is also acting as agent for the account of other customers and Associates;

12.1.9 the Manager may, in exceptional circumstances, deal in investments as principal in respect of a transaction for you; or

12.1.10 the transaction is in the securities of a Partnership for which the Manager or an Associate has underwritten, managed or arranged an issue within the period of 12 months before the date of the transaction.

13. Liability

13.1 The Manager agrees that it will at all times act in good faith and with reasonable care and due diligence. Nothing in this Clause 13 shall exclude any duty or liability owed to you under the FCA Rules.

13.2 The Manager shall not be liable to you for any loss arising from any investment decision made in accordance with the Investment Strategy and the Investment Restrictions or for other action in accordance with this Agreement, except to the extent that such loss is directly due to the negligence or wilful default or fraud of the Manager or any of its directors, officers, employees or agents.

13.3 You agree to indemnify the Manager and each of its directors, partners, officers and employees (each an "Indemnified Party") for and against any and all claims, actions, demands, damages, costs, liabilities and expenses, fines and penalties which are brought against or incurred by the Indemnified Party as a result of performing its services under this Agreement ("Losses"), except to the extent such Losses arise from the Indemnified Party's fraud, negligence, wilful default or breach of This Agreement. This indemnity shall survive termination of this Agreement.

13.4 The Manager accepts responsibility for holdings of Partnership interests in the name of the ESP Business

Company. However, the Manager shall not be liable for any loss to you arising from any action it takes in accordance with this Agreement, except to the extent that such loss is directly due to the negligence or wilful default or fraud of the Manager or any of its directors, officers, agents or employees.

13.5 The Manager accepts no responsibility for the acts and omissions of the Administrator in providing the administration services.

13.6 Subject to Clauses 6.5 and 11, the Manager shall not be liable for any defaults of any counterparty, agent, banker or other person or entity which holds money, investments or documents of title for an ESP Business Company, other than any person which is its Associate.

13.7 In the event of any failure, interruption or delay in the performance of the Manager's obligations resulting from acts, events or circumstances not reasonably within its control (including but not limited to acts or regulations of any governmental or supranational bodies or authorities) or breakdown, failure or malfunction of any telecommunications or computer service or systems, you acknowledge that the Manager shall not be liable or have any responsibility of any kind in respect of any loss or damage thereby incurred or suffered by you.

13.8 The Manager gives no representations or warranties as to the performance of ESP Business.

Investments in Partnerships are high risk and not readily realisable. There is a restricted market for such Investments and it may therefore be difficult to sell the Investments or to obtain reliable information about their value. By entering into this Agreement you confirm that you have considered the suitability of the Investment Strategy and Investment Restrictions set out in this Agreement, have read and understood the Document including, in particular, the risk warnings set out therein, and have taken your own independent advice.

13.9 Nothing in this Clause 13 shall exclude the liability of the Manager for its own fraud.

14. Termination

14.1 This Agreement and the Service shall continue until terminated in accordance with this Clause 14.

14.2 This Agreement shall terminate automatically upon the completion of the withdrawal from ESP Business of all Investments and cash which are due to you under this Agreement.

14.3 If:

14.3.1. the Manager gives you not less than three months' written notice of its intention to terminate its role as Manager under this Agreement; or

14.3.2. the Manager ceases to be appropriately authorised by the FCA or becomes insolvent;

the Manager shall use reasonable endeavours to make arrangements to transfer the Investments to another manager in which case that fund manager shall assume the role of the Manager under this Agreement (*mutatis mutandis*), failing which the Agreement shall terminate forthwith and, subject to Clause 15, the Investments held in your name shall be transferred into your name or as you may otherwise direct.

14.4 Following termination, your ESP Business Company will be struck from the register of companies and all tax liabilities will be settled. The Manager will make provision for the costs of termination in your ESP Business Company.

15. Consequences of Termination

15.1 On termination of this Agreement pursuant to Clause 14, the Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.

15.2 Termination will not affect accrued rights, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payments save that you will pay fees, expenses and costs properly incurred by the Manager up to and including the date of termination and payable under the terms of this Agreement.

15.3 On termination, the Manager may apply cash held for you, and may retain and/or realise such Investments as may be required to settle transactions already initiated and to pay your outstanding liabilities, including fees, costs and expenses payable under Clause 13 of this Agreement, the details of which are set out in the Document.

16. Confidentiality

16.1 Neither the Manager or you shall disclose to third parties or take into consideration information:

16.1.1. the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or

16.1.2. which comes to the notice of a director, officer, employee or agent of the Manager or of any Associate but properly does not come to the actual notice of that party providing services under this Agreement.

16.2 The Manager will at all times keep confidential all information acquired in consequence of the Service, except for information which:

16.2.1. is in the public knowledge; or

16.2.2. which they may be entitled or bound to disclose by law; or

16.2.3. is requested by regulatory agencies; or

16.2.4. is given to their professional

advisers where reasonably necessary for the performance of their professional services; or

16.2.5. which is authorised to be disclosed by the relevant party; and shall use all reasonable endeavours to prevent any breach of this Clause 16.2.

16.3 The Manager or the Administrator may verify your identity and assess your financial standing. In doing so, a credit or mutual reference agency may be consulted which will record a search.

17. Complaints and Compensation

17.1 The Manager has established procedures in accordance with the FCA Rules for consideration of complaints. Details of these procedures are available from them on request. Should you have a complaint, you should contact the Manager in the first instance. If your complaint is still not resolved, you may be able to refer your complaint to the Financial Ombudsman Service.

17.2 The Manager is a member of the Financial Services Compensation Scheme ("FSCS"), which provides compensation to eligible investors in the event of a firm being unable to meet its liabilities. Compensation under the scheme is limited to a maximum of £50,000 per institution for investment business. For further information on the FSCS and to see if you may be eligible, you can contact

the FSCS using the details on its website www.fscs.org.uk.

18. Notices and Communication

18.1 Notices of instructions to the Manager should be in writing and signed by you, except as otherwise specifically indicated.

18.2 The Manager may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by you on the Application Form or subsequently notified by you from time to time and, unless that relevant party receives written notice to the contrary, whether or not the authority of such person shall have been terminated.

18.3 All communications with you shall be sent (whether postal or electronic) to the latest address you have supplied in writing to the Manager and shall be deemed received by you on the second day after posting or on the day after dispatch in the case of electronic communication.

18.4 All communications by you shall be made in writing or (save as otherwise provided) by telephone to the Manager (on 020 3195 3500). Conversations may be recorded for the avoidance of doubt.

18.5 Communications sent by you will be deemed received only if actually received by the Manager. The Manager will not be liable for any delay or failure of delivery (for whatever reason) of any communication sent to you.

19. Default Remedies Amendments

The Manager may amend this Agreement by giving you written notice with immediate effect if such amendment is necessary in order to comply with Applicable Laws including HMRC requirements, or in order to maintain Relief or in order to comply with the FCA Rules. Any other proposed amendments will be notified to you, and if you fail or omit to give notice of your rejection of the proposed amendment within 30 days of the date of the amendment notice, this Agreement shall be deemed amended accordingly.

20. Data Protection

All data which you provide to the Manager is held by that party subject to the Data Protection Act 1998. You hereby agree that the Manager may pass personal data to each other and to other parties insofar as is necessary in order for them to provide their services as set in this Agreement and to the FCA and any regulatory authority which regulates them and in accordance with all other Applicable Laws.

21. Telephone Recording and Electronic Communication

For your protection, please be aware that telephone calls and electronic communications between us may be recorded, although we will not be obliged to do so where the conversation or communication does not relate to (or is not intended to result in) the conclusion of a transaction or order.

22. Language of Communications

All communications and correspondence between you and the Manager shall be in English.

23. Entire Agreement

This Agreement, together with the Application Form and other documents mentioned in it, comprises the entire agreement of the Manager with you relating to the provision of the Services described therein.

24. Rights of Third Parties

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of such third party which exists or is available apart from that Act.

25. Severability

If any term, condition or provision of this Agreement shall be held to be invalid, unlawful or unenforceable to any extent, such term, condition or provision shall not affect the validity, legality or enforceability of the remainder of this Agreement.

26. Governing Law

This Agreement and all matters relating thereto shall be governed by and construed in accordance with English Law and the parties submit to the non-exclusive jurisdiction of the English Courts.

Schedule 1: **ESP BUSINESS MANAGEMENT POLICY**

1. The Manager will select Partnerships, in which to invest on behalf of Investors, on the basis of the Investment Strategy and Investment Restrictions set out in the Document.
2. The Manager is aware that Shares in Partnerships should be held at the time of death and for at least the two years preceding death to obtain IHT Relief.
3. The Manager may look to exit an investment prior to the end of two years if the growth of the investment has outperformed the market and covers any potential loss of tax benefit. It may also exit an investment in the event of a trade sale of the investment. If the proceeds are reinvested there should be no loss of IHT Relief.
4. Once the Investor dies, the Manager will use reasonable endeavours to liquidate the investments in trading businesses with a view to the investments in trading businesses becoming fully liquid within three months.

Schedule 2: **Conflict of Interest Policy**

The Manager has produced a policy to manage effectively the conflicts of interest that may arise from its business as required by the rules and guidance contained in chapter 10 of the Senior Management Arrangements, Systems and Controls rules issued by the FCA (“SYSC”). The policy has been reviewed and approved by the Manager and is subject to monitoring by the Manager.

Under the SYSC, the Manager is required to take all reasonable steps to identify conflicts of interest between:

- (1) the Manager, including its employees and contracted consultants, or any person directly or indirectly linked to them by control, and a client of the Manager; or
- (2) one client of the Manager and another client.

The Manager believes that it should identify any conflicts that may arise in other situations including between the Manager and any of its shareholders. Where the Manager owes a duty to such clients, it must maintain and operate arrangements to prevent any conflict from giving rise to a material risk of damage to the interests of its clients.

A copy of the Manager’s “Conflict of Interests” policy is available upon request.

Schedule 3: **Execution Policy**

1. General execution factors and execution criteria

The Manager has an obligation when executing orders on behalf of clients to obtain the best possible outcome. The FCA requires various execution factors to be taken into account including price; cost; speed; market impact; likelihood of execution and settlement; size; or any other consideration relevant to the execution of the order. Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, the

Manager may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result. The Manager will determine the relative importance of the execution factors by using its commercial judgement and experience in light of market information available and taking into account the execution criteria. The execution criteria are defined as the characteristics of the client, order (orders placed in the market will indicate a price range that is suitable for the investment decision), type of financial instrument (some shares are more liquid than others, and illiquid shares will be less easily tradable in volume) and the execution venue.

2. Monitoring and review

The Manager will review the effectiveness of its execution policy on an annual basis. Whenever a material change occurs that affects the Manager's ability to continue to obtain the best possible result for the Investor, the Manager will notify the Investor of any material changes to its execution arrangements or its execution policy by posting an updated version on its website.

3. Notification of changes

The Manager will notify its clients of any material changes to its order execution arrangements and policy. It may provide information, including details of any changes, either in a durable medium or via its website.

4. Characteristics of client order

In the absence of a specific client order or instructions from a client, the Manager generates its decision to deal for its clients when it makes its investment management decision at one of its investment committee meetings called to decide whether to proceed with the investment or realisation decision.

5. Characteristics of financial instruments

All of the private equity financial instruments transacted in are shares, loan notes, options or other related instruments of private companies or other corporate bodies. None of them are admitted to trading on any regulated exchange, multilateral trading facility ("MTF") or other market. The mix of financial instruments is important and the mix is chosen to achieve optimum value generation for the Manager's clients. Each structure is tailored to individual investment situations and there is no ideal structure. The Manager is available to explain to its clients the characteristics of the financial instruments used in any individual situation.

6. Characteristics of execution venues

The most distinctive characteristic of the transactions that the Manager directly executes is that they are inherently off-market transactions subject to direct negotiation with an independent third party. In relation to acquisitions by the Manager for its clients, the third party is generally the only possible source of the relevant instrument. Normally this is the issuing company, though sometimes it is an existing holder of the relevant securities. In the case of disposals, the possibility of an initial public offering ("IPO") producing a higher price for the Manager's clients is considered (and any disposals through an IPO are then handled through brokers in accordance with the policy for quoted investments) but, unless an IPO is considered clearly advantageous, the transaction remains off-market and handled through private negotiations with third parties who are willing to purchase the relevant instruments.

Accordingly there is normally no choice of execution venue in either case, and generally there is only a choice of counterparty in the case of realisations. The decision of the investment committee on investment/realisation, and the negotiations with counterparties, and possible counterparties, therefore incorporate within them a consideration of the execution factors of price, costs, speed, likelihood of execution and settlement size and the nature of the transaction and other relevant considerations, as part of the decision whether to buy or sell the relevant financial instrument on particular terms rather than, as may be the case with securities for which there is a choice of execution venue, the execution factors and related choice of venue being capable of separate consideration after a decision to trade has been taken without considering those factors.

7. Price and Value Generation

Depending on whether the Manager is investing in or realising private equity investments, it will normally consider the best result to be paying the minimum total consideration or obtaining the maximum total consideration respectively for its clients, representing the price of its financial instruments less the costs related to execution such as legal and other expenses.

However, in relation to acquisitions, the Manager also considers the overall best result for the client on realisation of the investment as part of its initial structuring of transactions. In some cases negotiating the appropriate level of control over the conduct of the business and providing

appropriate incentives for growth of the business may be regarded as more important to achieving the best possible result for its clients than simply getting the lowest possible acquisition cost. Equally in relation to both acquisitions and disposals, although the pricing is of the highest importance, attention is also paid to the size of the stake and the importance of achieving completion of the transaction with a reliable counterparty in order to ensure settlement in view of the limited range of possible sellers and buyers in each case.

Additionally, particularly on disposals, obtaining the highest possible price has to be weighed against any warranties, escrow agreements and any other ongoing liabilities on disposal. In accordance with FCA requirements, the Manager is obliged to inform its clients that client orders may be executed outside a regulated market or an MTF.

8. Special purpose vehicles (“SPVs”)

The Manager may establish SPVs as Investments and accordingly Investors may be issued Shares in such SPVs. As shares in SPVs cannot be obtained from any other sources there is limited opportunity to apply the execution factors.



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and regulated by the Financial Conduct Authority.