

CLIENT ASSET KEY INFORMATION DOCUMENT 'CAKID'

This document is designed to provide you with key information to help you understand how and where your assets will be held by Davy Asset Management and to highlight any associated risks. It is important that you also refer to the section in your Client Asset Terms which explains "How we hold your Assets" or relevant section of your Investment Management Agreement.

WHAT ARE THE CLIENT ASSET REQUIREMENTS ('CAR')?

The Client Asset Requirements ("CAR") form Part 6 of the Investment Firms Regulations 2017 and are the legislative rules that Davy Asset Management must follow in safeguarding your assets. They are designed to ensure that investment firms holding client assets have the processes and controls in place to safeguard and protect those assets.

KEY FEATURES OF CLIENT ASSET REQUIREMENTS ('CAR')

- Segregation of your assets from Davy Asset Management's assets;
- Accurate record keeping to enable the firm at any time and without delay to distinguish your assets from those assets held by the firm;
- Receipt of written assurances from third parties before placing your assets with such third parties;
- Prompt lodgement of all client funds and prompt registration of client financial instruments to designated client asset accounts;
- Regular reconciliations between the firm's internal systems and the records of third parties that hold client assets on behalf of the firm;
- Daily cash calculations to ensure that the amount of client funds held is equal to what should be held;
- Counterparty due diligence;
- Annual CAR examinations by the firm's external auditors, the results of which must be reported to the Central Bank.

A copy of the Investment Firms Regulations 2017 and further information on these regulations are available on the CBI's website: www.centralbank.ie/regulation/industry-market-sectors/client-assets

WHAT ARE CLIENT ASSETS?

Client assets are categorised under two broad headings:

1. Client funds (including cheques or other payable orders, current and deposit account balances). This is primarily cash held by the firm on behalf of clients to whom we provide financial services.
2. Client financial instruments. This is generally all types of securities such as equities and bonds. In legal terms, it means any financial instrument as defined in the MiFID Regulations and the Investment Intermediaries Act 1995.

It should be noted that CAR does not include assets that relate exclusively to unregulated financial services (e.g. direct property investments). Client should be aware that the client asset regulatory regime does not address the valuation of your assets.

WHEN DOES CAR APPLY AND NOT APPLY?

Cheques or other payable orders will be client funds from the time of their receipt by us, but are not client funds if;

- Made payable to a third party which we directly transmit to that party; and/or
- The cheque/payable order received from a client is not honoured by the paying bank.

Client funds sent to a client by way of cheque/payable order do not cease to be client assets until the cheque/payable order is presented and paid by the eligible credit third party.

Client assets cease to be client assets, when they are paid, or transferred, to the client or to a third party on the written instruction of the client, or if funds are due and payable to Davy Asset Management as outlined in the Client Asset Terms or your Investment Management Agreement (e.g. if a client defaults on its obligations to the firm).

Clients with their own custody arrangements and/or clients who hold financial instruments in their own name fall outside of scope of CAR unless the client has sent in his/her own name share certificate to Davy Asset Management to be sold in the market. In this instance, CAR will apply while Davy Asset Management is directly holding the own name share certificate for the client in its own safe custody arrangements. It also applies to any funds settled through Davy Asset Management's client asset accounts.

As direct property investments are unregulated they fall outside CAR.

ONGOING DISCLOSURES TO CLIENTS

Davy Asset Management will disclose in its client asset statements to you whether individual assets within a portfolio are within or outside the scope of CAR. If you have any questions about this please speak to your Relationship Manager who will answer any questions you may have.

WHO HOLDS MY FUNDS AND HOW?

Client funds are held either in pooled client asset settlement accounts, pooled client asset deposit accounts or individually designated client asset deposit accounts with regulated third party credit institutions. Further information about the credit institutions we use is set out in our *Client Asset Terms* or your Investment Management Agreement.

Client funds are protected by the detailed rules laid out in CAR, including obligations relating to the segregation of client funds from the firm's funds, accurate record keeping, regular reconciliations between the firm's records and the credit institution, and counterparty due diligence.

HOW ARE MY FINANCIAL INSTRUMENTS HELD?

Your financial instruments are generally held using the Davy Asset Management custody service. In using the Davy Asset Management custody service, you remain at all times the "beneficial owner" of those investments, even though a company independent of the Davy Group (such as Davy Asset Management's nominated custodian) or a nominee company of the Davy Group may be registered as the "legal owner".

Beneficial ownership arises where one party holds assets on behalf of another. The legal owner (i.e. the registered holder) has control over the asset and can, for example, buy and sell the asset on behalf of the beneficial owner. However, the legal owner is not entitled to the asset and so, while it will receive the income and capital on behalf of the beneficial owners, it will never benefit from it. The beneficial owner receives the benefits associated with ownership such as dividends and gains from the asset. Davy Asset Management is obliged by law, and by CAR, to report to clients in relation to the client assets it holds and any benefits associated with those assets.

WHERE ARE MY FINANCIAL INSTRUMENTS HELD?

Shares in UK and Irish companies, UK and Irish Exchange traded Funds (ETFs), UK government bonds, foreign shares, foreign ETFs and government and corporate bonds are held with our global custodian, Bank of New York Mellon (BNY Mellon) in accounts specifically designated as Davy Asset Management client asset accounts. BNY Mellon in turn may arrange for these holdings to be held with various sub-custodians in local markets with account names dictated by the naming convention in those local markets. The custodian undertakes reviews of its sub-custodians on a regular basis. We operate a number of pooled client accounts with BNY Mellon. This means that any assets held on your behalf with BNY Mellon are held in accounts containing assets owned by other clients. These client accounts do not contain assets of Davy Asset Management.

In some cases, unit funds and other collective investment schemes are directly held with the funds administrators and are registered in the name of a Davy Asset Management nominee company.

A list of third parties with whom client assets may be held with are set out in our *Client Asset Terms*. These parties are independent of Davy Asset Management. **Clients should be aware that the list of third parties with whom client assets may be held is subject to change over time and clients should refer to our website for the most up to date list.**

In the event that an asset registered in the name of our nominee company can only be held in physical/certificated format, we hold the certificate in a fire proof safe on our premises. It is Davy Asset Management's policy to minimise the amount of nominee holdings held in paper format so we only accept such holdings where they cannot be held electronically. There are strict controls in place to safeguard access to certificates as well as reconciliations.

Where clients hold other types of investments (e.g. private equity investments) not mentioned above, they may be held in the name of a nominee company with third parties. Please contact Davy Asset Management if you require further information in this regard.

Finally, you may of course choose to make your own custody arrangements and/or hold financial instruments in your own name. Global custody arrangements for individual clients are expensive and this option is usually availed of only by large professional clients.

HOW DOES DAVY MONITOR THIRD PARTY BANKS AND CUSTODIANS?

We are careful in our choice of third parties and monitor their performance on an ongoing basis and we perform regular risk assessments on them. Any third party we choose is appropriately authorised in the jurisdiction in which it is located and is also subject to appropriate prudential and /or client asset supervision. In order to ensure the highest standard for our clients, Davy Asset Management conducts a detailed due diligence assessment prior to placing client assets with any third party. Additionally, Davy Asset Management will ensure that either a funds or financial instrument facilities letter is in place with the third party prior to lodgement of client assets. Davy Asset Management conducts periodic reviews

of our third parties and agreements to ensure compliance with the Client Asset Requirements. However, we do not accept liability for any acts or omissions of those custodians or credit institutions, or for their default. In the event that a custodian or credit institution becomes insolvent, you may not receive back all or any of the assets or funds that that custodian or credit institution holds on your behalf.

We are a member of the Investor Compensation Scheme, set up by law, which provides compensation to eligible investors should we become insolvent. You will only have a right to compensation if you qualify as an eligible investor; if we are unable to return to you money or financial instruments that you are owed or own and if your loss is recognised by the Investor Compensation Scheme. The amount of compensation that you may receive will be 90% of the net amount you have lost or €20,000, whichever is less. Full details of the Investor Compensation Scheme are available on www.investorcompensation.ie. In the event of changes to the scheme details will be provided on this website.

WHAT ARE THE MAIN RISKS OR LIMITATIONS TO SAFEGUARDING CLIENT ASSETS?

Clients should note that while CAR imposes obligations on firms to segregate client assets from firm assets, as well as other requirements, it does not protect or guarantee the value of the client assets, nor does it in any way seek to impose regulations on investments which may be unregulated or which may operate outside a regulatory environment. Similarly, investors will continue to bear default risk in the event of either the firm or one of its eligible credit institutions or eligible custodians defaulting on its obligations.

The material risks relating to the safeguarding client assets are outlined below.

A. Counterparty Risk:

This risk, also known as a default risk, is a risk that a counterparty will not pay what it is obligated to on a transaction pending settlement or the counterparty suffers insolvency or other financial difficulties (default).

B. Operational Risk:

This risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. For every firm, there is a risk that its people, processes and systems are imperfect, and that losses may arise from errors and ineffective operations.

C. Fraud:

This risk of fraud relates to intentional deception made for personal gain or to damage another individual which may be perpetrated internally or externally to a firm.

D. Risk of Pooling:

This risk is the risk that one client's assets will be used to fund another client's transactions; or that the pool may have a deficit and that any losses would be applied on a pro-rata basis across all clients participating in the pool.

WHAT ARE THE MAIN CONTROLS TO SAFEGUARD CLIENT ASSETS?

While a firm can never fully eliminate risk, firms such as Davy Asset Management are obliged to put in place adequate policies and procedures designed to comply with the provisions of the MiFID regulations. MiFID firms must monitor and evaluate the adequacy and effectiveness of their systems, internal control mechanisms and arrangements established, ensure they are implemented and maintained in accordance with the Regulations, and to take appropriate measures to address any deficiencies.

Davy Asset Management has a comprehensive system of internal controls, policies and procedures that are continually evaluated for adequacy and effectiveness. In addition to intensive external oversight of our control framework from such parties as our external auditors and the Central Bank of Ireland, the firm has in place a number of independent control functions that oversee the financial and operational controls in place. These are the firm's Compliance function, Group Risk and Internal Audit. There is also strict segregation of duties between the operational and finance areas, with additional client asset oversight conducted by the independent "Head of Client Asset Oversight".

1. *Independent Compliance function:* The Davy Group Compliance Department is an independent team that monitors and assesses the firm's compliance with our legal and regulatory requirements.
2. *Independent Internal Audit function:* The Davy Group has a separate and independent internal audit function which establishes implements and maintains an audit plan to examine and evaluate the firm's internal systems, controls and arrangements.
3. *Group Risk:* Group Risk, reporting to the Chief Risk Officer, oversees all the risks for the firm and ensures that the Davy Group has in place a comprehensive risk framework. Group Risk is a fully independent control function and includes the client asset oversight area reporting to the Head of Client Asset Oversight. In relation to CAR, Group Risk carries out regular reviews of our procedures and processes to safeguard client assets.

Davy Asset Management is also subject to extensive external oversight as summarised below:

1. *Central Bank of Ireland:* The Central Bank of Ireland supervises Davy Asset Management as it is responsible for the regulation and supervision of investment firms in Ireland. As a regulated entity, we are subject to close scrutiny and frequent reviews by the Central Bank to ensure that we have met our regulatory requirements, including the detailed requirements in place with regard to the safeguarding of client assets. To help facilitate this oversight, we are required to submit regular reports to the Central Bank, one of which is a monthly report that relates specifically to client assets.
2. *External audit of internal controls:* We are audited by one of the "big four" audit firms. As part of their terms of engagement, our external auditors undertake a review of our internal controls annually, including those associated with the protection of client assets.

3. *External audit of compliance with the Client Asset*

Requirements: Davy Asset Management is required to engage external auditors to examine the firm's compliance with the Client Asset Requirements on an annual basis. After the completion of the audit, the external auditor must report its findings to both Davy Asset Management and the Central Bank of Ireland.

Clients should be aware that the information set out in this document in relation to the application of the client asset regime by Davy Asset Management, when it applies and how client assets are determined and dealt with by Davy Asset Management is not exhaustive. In the event that you have any questions please do not hesitate to call your Davy Asset Management contact.