Co-investment and Order Allocation Policy

Background and general principle

Amati currently manages client assets under four different mandates: Amati AIM VCT plc ("AMAT"), the TB Amati UK Smaller Companies Fund ("SMCO"), the TB Amati Strategic Metals Fund ("ASMF") and the Amati AIM IHT Portfolio Service ("AIHT"). The overriding principle of allocation between the various funds is not that when one fund makes a transaction in a stock then all other funds should make the same transaction, but rather that each fund should be treated fairly and transparently in accordance with its investment mandate.

Transactions

Normal transactions, whether buying or selling, are conducted at the discretion of the managers at a time which best suits the fund(s) in question. The starting point for any order is calculating the desired resultant weighting for each fund, which will be determined by reference to the mandate for each fund, with the general principle of allocation for trades across funds being that the allocation for each fund will represent a similar percentage of the net assets to the other fund(s). For the purposes of the dealing system this principle of allocation is described as "NAV".

In the case of AIHT, trades are executed on the James Brearley ("JB") investment platform and are not 'booked out' through the dealing system in the usual way. However, where a stock is being bought or sold in AIHT at the same time as in any of the other funds, the details of the trade as well as the justification for the allocation within the IHT portfolio will be recorded in the settlement notes and used for reconciliation and compliance purposes.

There will be no assumption that a trade deemed suitable for one investment mandate will necessarily be deemed suitable for funds with a different mandate. The principle of allocation will be recorded in the Amati Online Dealing System whenever a deal is initiated, which will describe how the allocation was calculated in relation to these funds. Partial fills of orders will be allocated pro-rata in proportion to the size of the intended allocation for each fund.

The Amati Online Dealing System will be configured to provide an Allocation Report to client funds which will outline the allocation principles followed in relation to each transaction across the funds. This will be delivered to client funds as agreed with them individually.

AMAT, SMCO and ASMF have different investment mandates, although there is some crossover between the VCT and SMCO, and in turn between SMCO and ASMF. SMCO and ASMF are unlikely to invest in any qualifying investments being made by AMAT, and non-qualifying investments in AMAT will generally comprise investments in SMCO, ASMF or other UCITS funds at the discretion of the AMAT directors.

In relation to ASMF, the two fund managers on secondment to Amati from London Investment Consultants also act as advisers to the Earth Resources Investment Group ("ERIG"), a Swiss-based advisory firm. The individuals concerned have direct responsibility as fund advisers to the Earth Gold Fund ("EGF"), and it is with this fund where the situation can arise where they are instructing orders for two different clients at the same time. The individuals concerned are also part of the advisory team for the other ERIG funds, but are not directly responsible for their investment decisions. On occasion these funds may also deal simultaneously with ASMF and EGF where a significant new investment decision has been made. As far as possible, where the managers are aware that other ERIG funds are trading in the same stocks at the same time, they should extend the principles described here to those funds too. This will be particularly relevant where the funds are taking part in primary or secondary placings, where the objective will be to ensure that all of the funds are treated equally by the brokers involved. For further details please refer to the Order Allocation and Execution Policy (ASMF), which has been agreed with ERIG and which outlines the process as to how any simultaneous orders should be managed.

AIHT has a different mandate to AMAT, SMCO or ASMF, being limited to AIM-quoted stocks potentially eligible for Building Property Relief (BPR). Any security within the portfolio would also generally need to be qualified to be held within an ISA, depending on the specific wrapper applied to client portfolios. Trading is likely to be less active than in AMAT, SMCO or ASMF, given that the end client would potentially crystallise capital gains or losses when sales were made within the portfolio (unless held within an ISA wrapper), and given the differing investment mandate. The purpose of the investment is different and thus the risk profile of the end client is also likely to be significantly different from that of a shareholder in AMAT or a holder of SMCO or ASMF. The IHT portfolio is likely to be more concentrated, with around 25-40 stocks, and where the overarching investment philosophy is one which foregrounds wealth preservation as much as capital growth. This approach would favour high quality, mature, structural growth stocks at the higher end of the AIM liquidity spectrum, stocks more conducive to being held for extended periods, as opposed to less mature or 'trading' stocks, where a shorter time frame might in some cases be deemed appropriate. These factors together serve to ensure low portfolio turnover relative to the other funds, and mean that the majority of trades executed for AIHT would be done so independently of the other funds, notwithstanding some commonality of holdings.

Any dispute between the fund managers or between client funds over decisions which are marginal or where subjectivity is needed, will be settled by Amati's Head of Risk and Compliance. Any such disputes and the resolution thereof will be fully documented.

Execution of orders (AMAT/SMCO/ASMF)

Where an intended allocation is for more than one fund, dealing will be done at the same time and the order will be aggregated and placed in the market together. In the event of an order being only partially executed, each fund will receive an allocation calculated pro-rata in respect of the intended allocation. In the event of an order being completed in stages and at different prices, each fund will be treated as having dealt at the same weighted average price. For details of the process for dealing with allocations across ASMF and one or more of the ERIG funds, please see the Order Allocation and Execution Policy (ASMF).

The Amati Online Dealing System will automatically allocate an order between the funds based on their intended allocations, which are input into the system for each fund at the start of each order.

Execution of orders (AIHT)

Trades in AIHT take place on the JB platform independently of the dealing system. However, in the case of allocations in the IHT portfolio aggregated with another fund or funds, execution will take place at the same time as the other funds, although the trade will not be 'booked out' in the dealing system in respect of the IHT portfolio. Details of the trade and the allocation should however be recorded in the settlement notes for reconciliation and compliance purposes.

Records and approvals

The Amati Online Dealing System will maintain a record of allocations applied for and those received, the allocation principle being followed in respect of the various funds, and notes to explain any deviations from the above policies.

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