

PROFESSIONAL CLIENT TERMS OF BUSINESS

Effective from 1st April 2009

1. Definitions

- 1.1. “*Act*” means the Financial Services and Markets Act 2000 as from time to time amended or re-enacted.
- 1.2. “*Business*” means the business of engaging in one or more of the Regulated Activities as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
- 1.3. “*Client Money Account*” means a bank account which meets the requirements of the Rules of the FSA.
- 1.4. “*Company*” means River and Mercantile Asset Management LLP, a limited liability partnership regulated and authorised by the FSA.
- 1.5. “*FSA*” means the Financial Services Authority.
- 1.6. “*MiFID*” means the Markets in Financial Instruments Directive.
- 1.7. “*Professional Client*” means an independent person, partnership or company carrying on Business in relation to transactions in Shares including any appointed representatives of such a Professional Client, and duly authorised by the FSA.
- 1.8. “*Retail Client*” means a client who is neither a Professional Client or an Eligible Counterparty.
- 1.9. “*Rules of the FSA*” means The Rules of the Financial Services Authority as from time to time amended.
- 1.10. “*Scheme*” means the River and Mercantile Funds ICVC, a regulated collective investment scheme incorporated as an Investment Company with Variable Capital (ICVC), whether or not held within an Individual Savings Account (ISA) or a Personal Equity Plan (PEP).
- 1.11. “*Settlement Day*” means in respect of any contract for Shares the date stated thereon as the time on which payment is due or if no mention is made on the contract note of a date the fourth business day following the day on which the contract was made.
- 1.12. “*Shares*” means shares in the funds of the Scheme.

2. Scope

- 2.1 This document sets out the terms and conditions on which the Company accepts business from a Professional Client (Terms of Business). These conditions replace and supersede any previous terms and conditions that the Company may have issued.
- 2.2 For the purposes of this Agreement the investor will be categorised as a Professional Client as defined by the FSA. As a consequence of this categorisation the Professional Client will lose the protections afforded to Retail Clients under the Rules of the FSA, and will additionally lose any right to bring action for damages against the Company under Sections 71 and 150 of the Act.
- 2.3 The Company will not accept Business from or pay commission to a Professional Client who is not or ceases to be authorised pursuant to the Act and reserves the right to cease to accept Business from, or to refuse any particular Business proposed by, a Professional Client.

- 2.4 A Professional Client must notify the Company immediately if its authorisation is suspended or terminated.
- 2.5 For the purposes of this Agreement the Investors in the scheme are categorised as Professional Clients investing in a collective investment scheme who receive a non-advisory execution only service from the Company. As such they fall outside the scope of MiFID and are not required to receive the Company's Client Categorisation, Conflict of Interest or Best Execution policies.

3. Commencement

These terms of business shall come into effect upon service to the Professional Client, as outlined in Clause 11 of these terms, unless objection is raised within seven calendar days of the date of receipt.

4. Professional Client is Agent of Client

- 4.1 The Professional Client may act as a principal if so authorised pursuant to the Act. The Professional Client may act as agent of the Company only to the extent if any, that he is so permitted by the Company in writing.
- 4.2 The Professional Client must inform the Company if at the time of placing an order if it is acting as principal.
- 4.3 Subject as provided in clause 2.1 above and except in relation to the personal responsibilities of the Professional Client hereunder the Professional Client shall be the agent of the client but the provisions of clause 5.1 and 5.2 below shall apply whether or not the Professional Client receives payment from the client.

5. Payments

- 5.1 Unless otherwise agreed between the Company and the Professional Client, cleared funds due in payment of any contract affected by or through the Professional Client must be received by the Company on or before the Settlement Day. The Company shall be entitled without giving prior notice to the Professional Client, to cancel, in whole or in part, any contract in respect of which the amount due remains unpaid after Settlement Day. This provision shall not be affected by any requirement to serve a Cancellation Notice in respect of the transaction in question.
- 5.2 The Professional Client shall keep the Company indemnified from all loss resulting to the Company if the Company does not receive due payment by the Settlement Day. For the purpose of this provision, loss shall include any loss resulting from the cancellation or the closing out of the contract and, without limitation by the foregoing, any other loss or expense caused to the Company, directly or indirectly, by a failure of the Professional Client to comply with 5.1 above. The Company may at its discretion, charge interest on any sums due from the Professional Client to the Company which remain unpaid after the Settlement Day at a rate equivalent to 2.5% above the base lending rate for the time being published by The Bank of England. This interest will be calculated on a daily basis from the Settlement Day up to and including the day when cleared funds are received in respect to the purchase.
- 5.3 The Professional Client may in the case of repurchases, request the Company to issue cheques drawn in favour of the Client Money Account of the Professional Client, where satisfactory money laundering identification procedures have been completed, but the Company may at its absolute discretion refuse such a request.
- 5.4 Unless paragraph 5.3 above applies all repurchase payments shall be made by a cheque drawn in favour of the first-named registered holder and crossed "*Account Payee*" or by electronic transfer of funds to such an account. The Company may at its absolute discretion accept and carry out written payment instructions issued and signed by all the registered holders.
- 5.5 In accordance with the Rules of the FSA the Professional Client shall immediately pass to the Company all monies in respect of Share purchases given, transferred or sent to the Professional Client by a client.

6. Commission

- 6.1 All matters relating to the payment of initial commission, renewal commission and management rebates by the Company to the Professional Client shall be governed by the Rules of the FSA to the extent that such rules are applicable.
- 6.2 The Company shall pay commissions and rebates to the Professional Client at such rate or rates and at such time or times as it shall from time to time notify and agree with the Professional Client.
- 6.3 The Company retains the right not to pay renewal commissions and management rebates amounts of less than £25.00, and such outstanding amounts of less than £25.00 at the end of each renewal and rebate period will not be rolled over into the next period.
- 6.4 The Company retains the right to cancel any renewal commissions cheques if they remain uncashed for a period of six months or more.
- 6.5 Without prejudice to the payment of commission already accrued due and payable, the Company reserves the right to reduce the rate of commission in respect of past or future transactions at any time on giving notice of any such reduction to the Professional Client.
- 6.6 The Professional Client shall not recommend any transaction in Shares unless the Professional Client has made such disclosures to the client in respect of commission or other remuneration that will be received by the Professional Client and other matters as, at the relevant time, are required to be disclosed by the Rules of the FSA. The Professional Client shall disclose the actual amount of any such commission or other remuneration payable if so requested by the client.
- 6.7 If a client exercises a statutory right of cancellation, any commission (including any VAT) paid in respect of the transaction shall forthwith be repaid by the Professional Client to the Company. All or any amount of commission (and any VAT) otherwise due to be repaid by the Professional Client (whether or not due to the exercise of a statutory right of cancellation) shall forthwith be repaid by the Professional Client to the Company or, at the Company's discretion, may be deducted by the Company from any other amount of commission due from it to the Professional Client.
- 6.8 The Company may, at its discretion, cease paying commission to the Professional Client:-
- (a) if the Professional Client ceases to be authorised to carry on Business or the Professional Client's authorisation is suspended; or
 - (b) in respect of any transaction for a person for whom the Professional Client has ceased to be the agent; or
 - (c) if the Professional Client shall die, become bankrupt, compound with or assign his estate or effects for the benefit of creditors, have his goods seized in execution or, where the Professional Client is a company, if it goes into liquidation or receivership or is subject to an administrative order; or
 - (d) if the Professional Client is subjected to an investigation under Part XI of the Act ; or
 - (e) if the Professional Client has any liability from any previous overpayment.

7. Client Money

- 7.1 The Company is permitted to hold client money in certain circumstances and will usually only do so in order to effect redemptions in shares. To the extent that the Company does hold client money, any such sum will be held in a separate client money account in accordance with the FSA's rules.
- 7.2 In the event that the Company does hold client money any interest earned on such sums will be retained by the Company and will not be paid out to the Professional Client or their clients.

8. Money Laundering

- 8.1 The Professional Client acknowledges that any transaction in Shares will be covered by statutory and other requirements relating to money laundering (jointly “the Money Laundering Requirements”), including the Drug Trafficking Act 1994, the Criminal Justice Act 1993, The Terrorism Act 2000, the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007 and the JMLSG Guidance Notes as amended from time to time.
- 8.2 Where a customer agreement, terms of business letter or similar arrangement exists that constitutes a Business relationship between the Professional Client and his client, the Professional Client undertakes full responsibility for the identification procedures necessary under the Money Laundering Requirements in respect of any transaction with the Company.
- 8.3 Where an Professional Client arranges the purchase of Shares for a client and such Shares will be registered in the name of the client, the Professional Client will provide an AML Introduction Certificate with the client’s registration form.
- 8.4 Where the Professional Client arranges a transaction or a series of linked transactions in units, not covered by arrangements under 8.2 above, the value of which exceed(s) 15,000 Euro, or its sterling equivalent, the Professional Client undertakes to fulfil the identification procedures necessary under the Money Laundering Regulations.

9. Documentation

- 9.1 The Professional Client shall pass to a client immediately and without any amendment any documents supplied by the Company for the information of or completion by the client and shall pass to the Company immediately any documents provided by the client for that purpose.
- 9.2 (a) The Professional Client shall not effect any purchase of Shares until the Professional Client has supplied the client with the Simplified Prospectus and offered the client free of charge a copy of the most recent annual report or half-yearly report and a copy of the Scheme Prospectus as appropriate in relation to the relevant Scheme. The Professional Client shall promptly supply the client (or arrange for the Company to supply the client) with such of the aforesaid reports and Scheme Prospectus as appropriate as the client requests. The Company will promptly supply to the Professional Client copies of such reports and Scheme Prospectus as appropriate as may be required to enable the Professional Client to carry out the Professional Client’s obligations hereunder.
- (b) The Professional Client undertakes to comply with any other disclosure requirements in force at the time of recommending or effecting a purchase of Units.
- 9.3 The Company has an obligation to send certain documents direct to the client and also reserves the right to send other documents and communications direct to the client.
- 9.4 The Professional Client shall, when requested, provide the Company with a statement of:-
- (a) the Professional Client’s Financial Services Authority authorisation reference number; and
 - (b) whether or not the Professional Client is authorised to handle client money; and
 - (c) the information and documentation required under clause 8.1, 8.2, 8.3 and 8.4 above; and
 - (d) in relation to any purchase of Shares, whether or not the cancellation rules under the Rules of the FSA, as from time to time amended, apply to the transaction.

Note: Such cancellation rules will not apply if:-

1. the client is an execution-only customer, i.e. if the Professional Client can reasonably assume that the client was not relying upon the Professional Client to advise him or to

exercise any judgement on his behalf as to the merits, or the suitability for him, of the transaction.

2. the Professional Client reasonably believes that the customer is not a "Retail Customer" in relation to the purchase of Units.
3. if the transaction in Shares is entered into pursuant to a customer agreement between the Professional Client and the client that complies with the relevant Rules of the FSA.

10. Indemnity

The Professional Client shall indemnify and keep indemnified the Company from all loss resulting to the Company arising from:

- (a) any failures by the Professional Client to comply with the provisions of the Act or the Rules of the FSA; or
- (b) any breach by the Professional Client of any of these terms of business including, without limiting the foregoing, any failure to provide promptly and accurately the information required pursuant to clauses 8.1, 8.2, 8.3, 8.4 and 9.4 above.

11. Service of Documents and Professional Client Contact

- 11.1 Any letter or other document shall be deemed to have been duly served upon the Professional Client if it is sent by post or left at the address of the Professional Client appearing in this letter or as subsequently notified by the Professional Client to the Company in writing. Any letter or other document sent by first class post shall be deemed to have been served on the business day following that on which the envelope containing the same is posted and in proving such service it shall be sufficient to prove that such envelope was properly addressed, stamped and posted.
- 11.2 The Company may contact the Professional Client by telephone, letter, facsimile or electronic mail for the purpose of informing the Professional Client of other products and services offered by the Company and its associates that it believes may be of interest to the Professional Client.

12. Variation

- 12.1 The Company reserves the right to vary these terms of business but, except in so far as required by the Act or the Rules of the FSA and without prejudice to the Company's rights under clause 6.3 above:-
 - (a) no variation shall affect contracts made prior to the time of the variations; and
 - (b) not less than fourteen days notice shall be given to the Professional Client of, and prior to, a variation.
- 12.2 The Professional Client shall not be entitled to sub-contract or transfer any of his rights and obligations hereunder without the prior written consent of the Company.

13. Data Protection

- 13.1 Information concerning the Professional Client and its business with the Company will be held on computer and may be shared with other companies within the River and Mercantile group of companies.
- 13.2 The Company reserves the right to register with a credit reference agency, closed user group or computer bureau, information about the Professional Client's business.

14. Complaints

All formal complaints should in the first instance be made in writing to the Compliance Officer of the company. All complaints will be dealt with in accordance with the FSA Rules.

15. Termination

The Professional Client and the Company shall have the right to terminate this Agreement by not less than seven days written notice to the other party. The termination will be without prejudice to the completion of transactions already initiated.

16. Telephone

The Company may lawfully record telephone conversations with the Professional Client for the purposes of security and training and may, at its discretion, act on telephone instructions before receipt of any written confirmations. In the absence of manifest error, the company's records of any such telephone conversations shall be conclusive evidence thereof.

17. Confidentiality

Neither party shall disclose any information acquired in consequence of these Terms, except for information which may be entitled or bound to disclose by law which is requested by a regulatory authority, or which is disclosed to their professional advisers or to companies with the respective groups where reasonably necessary for the performance of their respective obligations under the Terms.

The obligation of confidentiality shall not apply to information which has entered the public domain otherwise than as a consequence of any breach of this obligation or was properly and lawfully in the other party's possession prior to disclosure.

18. Governing Law

These terms of business shall be governed and construed in accordance with English law.

For and on behalf of River and Mercantile.....Date.....

I am a director/authorised signatory and agree to be treated as a Professional Client as defined by the Rules of the FSA and to be bound by these Terms of Business

Signed.....Date.....

Print Name.....Company Name.....

River and Mercantile Asset Management LLP, 30 Coleman Street, London EC2R 5AL