



MAINFIRST AFFILIATED FUND MANAGERS S.A.

Conflict of Interest Policy

Background

As a management company the employees of the company are required to act solely in the interests of investors and to pursue activities in good faith, with due care and diligence and thereby in the best interests of the investment assets managed by the company or of the investors of these investment assets and the integrity of the market. Conflicts of interest cannot always be ruled out, particularly at a capital management company which provides a variety of services to a variety of investors and clients. This policy governs the possible conflicts of interest and how to handle them.

Conflicts of interest cannot always be avoided in the case of a management company and an Alternative Investment Fund Manager, who provide services for a large number of clients and investors. This policy provides guidelines for the prevention and handling of such potential conflicts of interest.

Contents

1. Introduction

2. Conflicts of interest

- 2.1 Conflicts of interest between MAINFIRST AFFILIATED FUND MANAGERS S.A. and the clients of MAINFIRST AFFILIATED FUND MANAGERS S.A.
- 2.2 Conflicts of interest between the employees and clients of MAINFIRST AFFILIATED FUND MANAGERS S.A.
- 2.3 Conflicts of interest between the clients of MAINFIRST AFFILIATED FUND MANAGERS S.A.
- 2.4 Conflicts of interest between MAINFIRST AFFILIATED FUND MANAGERS S.A. and the shareholders of the company
- 2.5 Conflicts of interest through the acquisition of several mandates with discretionary powers inside and outside the group of companies and at the level of third party or self-managed investment companies (UCI and UCITS) as well as any securitisation vehicles.

3. Measures to avoid conflicts of interest

4. Dealing with conflicts of interest

- 4.1 Notes
- 4.2 Inevitable conflicts of interest
- 4.3 Information for investors

5. Independence in conflict management

- 5.1 Exchange of information by relevant persons
- 5.2 Activities involving potentially conflicting interests



- 5.3 Independence of remuneration
- 5.4 Influence on activities
- 5.5 Simultaneous investments in several collective portfolio managements

1. Introduction

The scheme to avoid conflicts of interest, regulated in the "Code of Conduct" of the MainFirst Group, prejudices generality and in principle takes precedence for all employees of the company, unless the regulations of these guidelines take special precedence.

Conflicts of interest cannot always be ruled out in institutions that provide investment services to their clients. In accordance with the relevant provisions of legislation our Conflict of Interest Policy is listed below.

In particular, the following potentials for conflict ("conflict of interest") in the exercise of business activities were identified between:

- our company, other companies of our group, our management, our employees, external companies and persons, who are connected to us contractually (e.g. appointed asset managers and other outsourcing companies, investment advisory companies or custodians, and other third parties and the investment assets and insourcing mandates managed by us, our investors and our clients;
- between various investment assets managed by us;
- Acquisition of diverse mandates with discretionary powers (management, board of directors) inside and outside the group of companies and at the level of third party or self-managed investment companies (UCI and UCITS) and any other securitisation vehicles

At our company one managing director (namely **Ms. Anja Richter**) is entrusted with the responsibility for compliance activities.

This managing director ensures within management the controls, the identification, avoidance and management of conflicts of interest. In addition, support services are provided by the compliance area of DZ PRIVATBANK S.A. in Luxembourg (no delegation of activities takes place).

In the case of MAINFIRST AFFILIATED FUND MANAGERS S.A., all identified conflicts of interest can currently be prevented by means of suitable measures. MAINFIRST AFFILIATED FUND MANAGERS S.A. has made organisational and administrative arrangements to identify, prevent, resolve, control and observe/monitor conflicts of interest, to prevent conflicts of interest significantly harming the interests of the investment assets and the investors.

Due to the fact that the externally published list of conflicts of interest contain only conflicts of interest that can be prevented by taking appropriate measures, a publication is unnecessary in the case of MAINFIRST AFFILIATED FUND MANAGERS S.A.



The present internal Conflict of Interest Policy includes all possible conflicts of interest and a list of appropriate measures to address these conflicts of interest.

2. Conflicts of interest

For the determination of conflicts of interest MAINFIRST AFFILIATED FUND MANAGERS S.A. is oriented to your business environment and to the relevant CSSF circulars, such as Regulation 10-4 and Circular 12/546. In addition, MAINFIRST AFFILIATED FUND MANAGERS S.A. specifies the following principles for dealing with conflicts of interest, indicates the circumstances under which conflicts of interest may occur and specifies measures to cope with conflicts of interest.

2.1 Conflicts of interest between MAINFIRST AFFILIATED FUND MANAGERS S.A. and the managed funds/managed accounts

At the expense of the managed fund and managed accounts a financial benefit may be achieved or a loss prevented, inter alia, in the following situations.

- Exploiting of information on the investment policy of the managed fund or managed accounts for personal purposes
- Recommendation of financial instruments, which accrue a particularly high commission
- Recommendation of financial instruments that trigger high bonuses or kickback payments
- Exploiting of the existence of compliance-related facts
- Mandates with competitors of the managed funds, thereby the possibility of exploitation of confidential information for personal gain
- Units in the managed funds or their rivals/competitors or financial instruments issued by them in the securities portfolio
- For the managed fund, services can be provided, for example, in the presence of the following constellations or transactions can be executed on their own account, the result of which are interests of the company or the persons attributable to it that are different to the interests of the managed fund:
 - Sale of securities from the portfolio of a fund of the company to managed funds; these are so-called "shelf warmers", which are currently scarcely able to be sold
 - As part of the investment advice: recommendation of transactions, preference for products of the company or companies related to the company or the shareholders of the company that are not in the interest of the managed funds
 - Recommendations of transactions that serve only to generate commission for the company
 - Recommendations for personal interest
 - Units in managed funds or their rivals/competitors or financial instruments issued by them in the portfolio of their own funds
 - Investors who wish to withdraw their investments and investors who wish to maintain their investments in investment assets;
 - In the case of the target of investment management, to invest in illiquid assets and the redemption policy of the investment assets;
- Constellations which, when entered, may lead to possible financial incentives, so that an unequal treatment of different managed funds results in:
 - Scaling of fees or commissions depending on the extent of the transactions executed or granting of special conditions and situations in which there is a possible competitive business relationship
 - Possible competition between transactions for personal funds and managed third party funds
- Constellations in which third parties pay for services for the managed ones with monetary incentives or contributions other than the usual commissions:
 - Incentives (e.g. travel, invitations to events or material contributions)



2.2 Conflicts of interest between the employees and the managed funds and managed accounts of MAINFIRST AFFILIATED FUND MANAGERS S.A.

At the expense of the managed funds and managed accounts a financial benefit may be achieved in the following situations or a loss may be avoided:

- Use and forwarding of confidential information
- Trading in knowledge of orders
- Inadequate differentiation between different managed funds in the case of IPOs
- Impartial investment advice due to self-interest in generation of commission-Constellations which, when entered, may lead to possible financial incentives, so that an unequal treatment of different managed funds results:
 - ☐ Accepting/giving gifts
- Situations, in which a possible competitive business relationship with the managed funds exists:
 - ☐ Proprietary transactions/orders for the managed funds
- Constellations in which third parties pay for services for managed funds with monetary incentives other than the normal commissions:
 - ☐ Monetary incentives other than the normal commissions
 - ☐ Constellations in which third parties pay for services for managed funds

2.3 Conflicts of interest between the funds and managed accounts managed by MAINFIRST AFFILIATED FUND MANAGERS S.A.

At the expense of the managed fund and managed accounts a financial benefit may be achieved or a loss prevented, inter alia, in the following situations.

- Conflicting interests in the execution of fund orders
- OTC transactions of a fund manager between different managed funds
- Fund orders that conflict with other managed funds
- Constellations which, when entered, may lead to possible financial incentives, so that an unequal treatment of different managed funds results:
 - ☐ Pricing (a managed fund is better in terms of pricing than others, for example, because of the scale of the portfolio)
 - ☐ Internal execution of not fully executed block orders (a managed fund is at a disadvantage in the allocation for pre-bought financial instruments compared to others, for example, because of the scale of the order)
 - ☐ Order execution, including subscription orders

2.4 Conflicts of interest between MAINFIRST AFFILIATED FUND MANAGERS S.A. and the shareholders/board of directors of the company

- Churning
- Increased redeployment of funds to generate commissions or additional income
- Mandatory custodian bank function
- Strictly preferred recommendation of DZ Privatbank as custodian bank or another preferred service provider
- Addition of other investments by shareholders/boards of directors of the company in investment assets managed by them
- Strictly preferred addition of the investments of the shareholders/boards of directors in investment assets managed by the company



2.5 Conflicts of interest through the acquisition of several mandates with discretionary powers inside and outside the group of companies and at the level of third party or self-managed investment companies (UCI and UCITS) as well as any securitisation vehicles

The following constellations may lead to conflicts of interest:

- Acquisition of other management mandates by the management of MAINFIRST AFFILIATED FUND MANAGERS S.A.
- Acquisition of other board of director mandates (fund level or company level) by the management of MAINFIRST AFFILIATED FUND MANAGERS S.A.
- Acquisition of a board of director mandate at the fund level by an employee from the portfolio management area

In accordance with CSSF Regulation 12/546, MAINFIRST AFFILIATED FUND MANAGERS S.A. excludes employees of the compliance and/or risk management areas acquiring board of director mandates of investment companies which are administered by MAINFIRST AFFILIATED FUND MANAGERS S.A., unless otherwise approved by the CSSF.

3. Measures to avoid conflicts of interest

Measures that may contribute to the avoidance of conflicts of interest are:

- The existence of appropriate work instructions, the procedure manual, the compliance guidelines and detailed instructions for employee transactions
- The configuration of the target agreement system
- The observance and implementation of rules for employee guiding principles and employee transactions
- Obligations to disclose
- Mandatory reporting to the compliance function
- Existence of a watchlist
- Under given circumstances, the establishment of trading prohibitions
- Compliance with the obligation to consider the interests of the managed fund in terms of investment advice, fund composition and investor-friendly advice
- Compliance with the obligation to consider the interests of the fund in obtaining other monetary contributions (e.g. for technical support)
- Compliance with laws and the avoidance of unauthorised trades-investor-friendly advice
- The separation of trades for personal funds and trades for third party funds
- Prohibition of front and parallel running
- Obligations to comply with insider legislation
- Cost transparency through fair, clear and non-misleading information about all costs associated with investment services and investment ancillary services, including all cost benchmarks and any decision margins, as well as the existence of a price table
- Commissions paid to MAINFIRST AFFILIATED FUND MANAGERS S.A. for the acquisition of assets as part of the asset management/fund management of issuers/sellers, such as portfolio payment, are credited to the account/securities account of the respective fund
- Existence of allocation principles
- Strict observance of the "best execution policy"
- Due diligence process for custodian bank selection
- Determination of portfolio turnover rates and coordination with the external auditor
- Monitoring of gifts worth over EUR 100 to employees
- Management of a register of possible conflicts of interest
- Intensive and regular training and sensitisation of employees
- Risk and conflict of interest policies at the SICAV level



4. Dealing with conflicts of interest

4.1 Notes

MAINFIRST AFFILIATED FUND MANAGERS S.A. undertakes to record those types of collective asset management/fund management, where a conflict of interest that is significantly detrimental to the interests of the managed fund occurs or could occur.

4.2 Inevitable conflicts of interest

The management is to be informed immediately in the event of inevitable conflicts of interest. It is the responsibility of the management to take the necessary measures to ensure that MAINFIRST AFFILIATED FUND MANAGERS S.A. always acts in the best interests of the investment fund and its investors. The decision of the overall management is justified and documented.

4.3 Information for investors

MAINFIRST AFFILIATED FUND MANAGERS S.A. informs the investors about inevitable conflicts of interest and about the decision taken in relation to them. The decision of MAINFIRST AFFILIATED FUND MANAGERS S.A. is taken in consideration of the internal principles and processes that have been decided to identify, prevent and control conflicts of interest, explained and justified, even if the decision is to do nothing. In the case of special assets, MAINFIRST AFFILIATED FUND MANAGERS S.A. may refrain, with the consent of the investors, from informing them of inevitable conflicts of interest as well as the decisions taken about them.

5. Independence in conflict management

5.1 Information exchange between relevant persons

The following measures have been taken in order to prevent unauthorised access to information:

- Password-protected access to all computers at MAINFIRST AFFILIATED FUND MANAGERS S.A.
- Regular changing of passwords
- Drives and files with departmental and/or person-specific read and write permissions
- Coming into effect of guidelines to ensure data protection through "clean desk" and organizational security

5.2 Activities involving potentially conflicting interests

All employees at MAINFIRST AFFILIATED FUND MANAGERS S.A. are classified as employees with special compliance relevance and are thus subject to the control and monitoring activities of the managing director responsible for compliance and the recommendations of the supporting compliance department of DZ Privatbank S.A..

5.3 Independence of remuneration

The remuneration system used at MAINFIRST AFFILIATED FUND MANAGERS S.A. guarantees the employees remuneration based on individual performance, independent of the third party services rendered.

5.4 Influence on activities

The improper influence of other persons on employees of MAINFIRST AFFILIATED FUND MANAGERS S.A. is counteracted by the establishment of general conduct guidelines, work instructions and training by the supporting compliance department of DZ Privatbank S.A.



5.5 Simultaneous investments in several collective portfolio managements or special assets

Investment decisions and investment strategies are regularly and uniformly determined and implemented in a committee. Conflicts of interest of individual fund managers by several collective portfolio managements are therefore counteracted.

6. General

This company shall regularly, at least once a year, check the validity and appropriateness of the methods mentioned here and adjust them if necessary. An annual inspection last took place in July 2016 and will in future take place in August of each calendar year. The managing director responsible for the compliance area shall take sufficient care with regard to the proper documentation of the review, adjustment and entry into force.

**7. Document history**

| Document number | Date of entry into force | Reason for change/notes | Signature of Managing Director |
|-----------------|--------------------------|--|--------------------------------|
| 1.0 | 09/2013 | n.a. | |
| 2.0 | 07/2014 | Annual update 2014: supplement to point 2.5.) | |
| 3.0 | 08/2015 | Integration into MainFirst Group | |
| 4.0 | 08/2016 | Annual update 2016 | |

Munsbach, July 2016

Anja Richter
Managing
Director

Bjorn Kogler
Managing
Director