

MAINFIRST

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# CONFLICTS OF INTEREST

MAINFIRST AFFILIATED  
FUND MANAGERS  
(DEUTSCHLAND) GMBH

10/2023

Version 3.1

## Conflicts of interest

Mainfirst Affiliated Fund Managers (Deutschland) GmbH (hereinafter the "Company") bases its determination of conflicts of interest on its business environment as well as the relevant laws, regulations and supervisory notices. Furthermore, the Company defines the following Group-wide harmonised principles for handling conflicts of interest, indicates the circumstances under which conflicts of interest may arise and defines measures to take to manage conflicts of interest.

The employees and officers of the Company are obliged to act solely in the interest of the investor and to conduct business honestly, with due care and diligence and in the best interest of the investment funds managed by the respective Company or of the investors in these investment funds and the integrity of the financial centre and the capital market.

The policy applies in full to every employee and officer of the Company.

It is never entirely possible to exclude conflicts of interest in institutes that offer investment services to their customers. The employees and officers of the Company are aware of this conflict and have developed appropriate precautions and measures for handling this conflict, informing the employees and officers of the Company about compliance with these. Consideration has been given to the size and organisation of the Company, as well as the type, scope and complexity of its business, including other Group companies, and the principles of the following policy are based on this. This policy on conflicts of interest has been developed in line with corresponding statutory requirements.

Conflicts of interest may arise between the Company, other companies within the Group, the shareholders and partners, the executive management, the employees, contractually affiliated intermediaries or other persons or companies affiliated with the Company or its customers and/or between customers of the managed investment funds for which the Company acts.

In line with the relevant laws, both the management and all employees are obliged to conduct the investment services offered by the respective Company **solely** in the interest of the customers in an honest, proper and professional way and to avoid conflicts of interest wherever possible. One member of the Executive Board within the respective Company is appointed as responsible for compliance activities. This officer checks, identifies, prevents and manages conflicts of interest within the administration.

All identified conflicts of interest can currently be prevented using suitable measures within the Company.

The Company has taken organisational and administrative precautions to determine, prevent, resolve, manage and observe/monitor conflicts of interest, in order to prevent conflicts of interest from damaging the interests of the investment funds and/or investors.

Given that the list of conflicts of interest in the register only contains conflicts of interest that can be prevented with suitable measures, no publication by the Company is necessary.

## Conflicts of interest between the Company and the managed investment funds

The following situations are examples of where a personal financial advantage may be gained and/or a potential loss for investors may be avoided, to the detriment of the managed investment funds:

- Exploitation of information about the investment policy of the managed fund for own purposes
- Recommendation of financial instruments for which particularly high commission is charged
- Recommendation of financial instruments that trigger high bonuses or kickback payments
- Exploitation of the existence of compliance-related facts
- Mandate also with competitors of the managed fund, thereby creating the possibility of exploitation of confidential information for own advantage
- Shares in the managed fund or its competitors or financial instruments issued by them in the securities portfolio

For example, for the managed fund, the existence of the following situations could mean that services are performed or business is conducted in its name where the Company or the people acting on the Company's behalf have a different interest in the results than the interest of the managed fund:

- Sale of securities from the portfolio of a fund of the Company to managed funds which are currently hardly saleable (so-called "shopkeepers")
- Within the framework of investment advice: recommendation of transactions, preference for products from the Company or a company closely affiliated with the Company or its shareholders that are not in the interest of the managed fund
- Recommendation of transactions that are only used to generate commission income for the Company
- Recommendations in own interests
- Shares in managed funds or their competitors or financial instruments issued by these in the portfolio of proprietary funds
- Investors who want to withdraw their investments and investors who want to maintain their investments in the investment fund
- When setting the objective for portfolio management, investing in illiquid assets and deviating from the redemption principles of the investment fund

Situations that could result in possible financial incentives, leading to unequal treatment of the various managed funds:

- Sliding scale of fees or commission depending on the scope of the transaction performed or the granting of special conditions in situations where there is a possible business competition relationship
- Possible competition between companies for proprietary funds and managed third-party funds

Situations in which third parties remunerate services for the managed fund with monetary incentives or benefits outside the usual commission:

- Incentives (such as trips, invitations to events or material benefits)

## **Conflicts of interest between the employees and the managed investment funds of the Company**

The following situations are examples of where a personal financial advantage may be gained and/or a potential loss for investors may be avoided, to the detriment of the managed investment funds:

- Use and transfer of confidential information
- Acting in awareness of orders
- Inappropriate differentiation between various managed funds during IPOs (Initial Public Offering)
- Unbalanced investment advice due to own interest in commission income

Situations that could result in possible financial incentives, leading to unequal treatment of the various managed funds:

- Accepting/ giving gifts

Situations where there could be a possible business competition relationship with the managed fund:

- Own transactions/orders for the managed funds

Situations in which third parties remunerate services for the managed fund with monetary incentives or benefits except the usual commission:

- Monetary incentives outside the normal commission
- Situations in which third parties remunerate services for the managed funds

## **Conflicts of interest between the Funds managed by the Company with each other**

**The following situations are examples of where a personal financial advantage may be gained and/or a potential loss for investors may be avoided, to the detriment of the managed investment funds:**

- Conflicting interests when executing orders
- OTC transactions by a fund manager between various managed funds
- Fund orders conflicting with other managed funds
- Situations that could result in possible financial incentives, leading to unequal treatment of the various managed funds:

- Arrangement of terms (one managed fund is put in a better position than another when arranging terms, e.g. due to the size of the portfolio)
- Internal allocation of a block order that has not been completely executed (one managed fund is disadvantaged compared to others in the allocation of pre-sold financial instruments, e.g. due to the size of the order)
- Order execution, including subscription orders
- The management of several mandates with decision-making scope within and outside the group of companies as well as at the level of managed investment assets could lead to conflicts of interest

## **Conflicts of interest between the Company and the shareholders**

- Churning
- Increased restructuring of the funds to generate commission or additional income
- Mandatory custodian bank function
- Strict preferred recommendation of already affiliated or other service providers
- Addition of other holdings by Company shareholders in the investment funds managed by these
- Strict preferred addition of holdings by shareholders/boards of shareholder in the investment funds managed by the Company

## **Measures to prevent conflicts of interest**

Examples of measures that could help prevent conflicts of interest:

- The existence of corresponding work directives, internal guidelines and detailed instructions for employee transactions
- Designing an up-to-date HR system and corresponding target-setting system
- Compliance with and implementation of rules for employee conduct and transactions
- Obligations to disclose conflicts of interest and other compliance-related findings
- Obligations to report to Compliance
- The existence of a register of identified conflicts of interest and a watch list
- Implementing a trade ban under certain circumstances
- Compliance with the obligation to take fund interests into account when receiving other monetary benefits (e.g. For technical support)
- Compliance with laws and avoiding unauthorised actions
- Investor-friendly advice
- Separation of trading activities and portfolio management activities
- Ban on front and parallel running
- Obligations to comply with the ban on exploiting insider information
- Cost transparency through honest, clear and non-misleading information about all costs associated with investment services and ancillary services, including all costs bases and any decision margins, as well as the existence of a price table

- Crediting commission, such as trailer fees, paid by the issuer/seller to the Company when acquiring assets as part of asset/fund management to the account/deposit of the respective fund
- Existence of any allocation principles
- Strict compliance with the Company's "Best Execution Policy"
- Initial and continuous due diligence processes
- Calculation of portfolio turnover rates and agreement with the auditor
- Monitoring of gifts in line with internal guidelines
- Keeping a register of possible conflicts of interest

The company excludes

- that the function of the Compliance Officer is occupied with the function of Internal Audit
- that the permanent risk management function be entrusted with tasks of Portfolio Management.

## Handling conflicts of interest

### 1.1.1 Recording

The Company undertakes to record any types of asset management and fund management where a conflict of interest that is seriously detrimental to the interests of the managed fund has occurred or could occur.

### 1.1.2 Unavoidable conflicts of interest

In the event of unavoidable conflicts of interest, the executive management of the company involved must be notified immediately. It is up to the executive management to take the necessary measures so that the Company always acts in the best interests of the investment fund and its investors.

### 1.1.3 Information about unavoidable conflicts of interest

The Company shall provide information about unavoidable conflicts of interest and the decision it has made about these, where required by law. In particular, this relates to circumstances in which the organisational or administrative precautions defined by the Company to handle conflicts of interest were not sufficient to reasonably ensure that the risk of impairing the interests of an investment fund or its investors could be avoided. The decision should be explained and justified with all due consideration of the internal principles and procedures established to identify, prevent and regulate conflicts of interest, even if the decision was to do nothing. The Company can publish information about unavoidable conflicts of interest and the decisions made about these on its website. Otherwise, this information should be provided using a suitable permanent data carrier.

## Independence in conflict management

### 1.1.4 Exchange of information between the relevant people

The following measures have been taken, among others, to prevent unauthorised access to information:

- Password-protected access to all computers
- Periodic password change required
- Drives and files with department- and/or person-specific read and write rights

### 1.1.5 Activities with potentially conflicting interests

In terms of compliance with these principles, all employees of the Company are subject to the control and monitoring actions of the executive board member responsible for compliance.

### 1.1.6 Independence of remuneration

The remuneration system used by the Company ensures that the employees of the Company receive individual remuneration on the basis of their individual agreement with the Company, which takes their individual abilities, potential and performance into account, irrespective of the services performed by third parties.

### 1.1.7 Influence on activities

The improper influence of other people on employees of the Company is prevented through the implementation of general codes of conduct, work directives and training.

### 1.1.8 Simultaneous involvement in multiple collective portfolio management functions or special funds

Investment decisions and strategies are discussed at regular committee meetings. This should counteract conflicts of interest for individual fund managers as the result of multiple collective portfolio management functions.

### 1.1.9 General

The Company regularly, at least once a year, reviews the validity and appropriateness of the process described here and makes any necessary adjustments. The Chief Compliance Officer is responsible for the proper documentation of the review, adjustment and enforcement.