

## A. CONFLICTS OF INTEREST

### 1. CONFLICTS OF INTEREST POLICY

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- 1.1 The Firm conducts its business according to the principle that it must manage conflicts of interest fairly, both between itself and its clients and between one client and another. As a financial services provider the Firm may face actual and potential conflicts of interest. This policy establishes the reasonable steps to maintain and operate effective organizational and administrative arrangements to identify and manage relevant conflicts. The board of directors are responsible for ensuring that the Firm's systems, controls and procedures are adequate to identify and manage conflicts of interest. The Compliance Officer shall assist the Firm in the identification and monitoring of actual and potential conflicts of interest.
- 1.2 This policy applies to those conflicts of interest that may give rise to a material risk of damage to the interests of a client. Conflicts of interest may arise between:
- a) the Firm including its employees or any person directly or indirectly linked to the Firm by control and a Scheme managed by the Firm or the investors in that Scheme;
  - b) the Scheme or the investors in the Scheme, and another Scheme or the investors in that Scheme;
  - c) the Scheme or the investors in that Scheme and another client of the Firm;
  - d) the Scheme or the investors in that Scheme, this being an AIF and a UCITS managed by the Firm or the investors in that UCITS;
  - e) two or more clients of the Firm in the context of the provision of services by the Firm to those clients;
- 1.3 Furthermore, the Company's conflict of interest policy is meant to cover instances where:
- (a) The Company or a person linked to the Company by control is likely to make a financial gain, or avoid a financial loss at the expense of a Client;
  - (b) The Company or a person linked to the Company by control has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome;
  - (c) The Company or a person linked to the Company by control has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
  - (d) The Company or a person linked to the Company by control carries on the same business as the Client;
  - (e) The Company or a person linked to the Company by control receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.
- 1.4 Accordingly, this policy is designed to identify, assess, manage and if appropriate, disclose all potential and actual conflicts of interest in the Firm's business.
- 1.5 The Firm undertakes investment management, and other services, on behalf of clients. For the purposes of identifying the types of conflict and potential conflict that arise which may entail a material risk of damage to the interests of a client, the Firm must take into account whether the Firm or a relevant person, or a person directly or indirectly linked by control to the Firm:
- a) Is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
  - b) Has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
  - c) Has a financial or other incentive to favour the interest of another client or group of clients over the interests of a client;
  - d) Carries on the same business as the client; or
  - e) Receives or will receive from a person other than a client an inducement in relation to a service provided to the client, in the form of monies, goods or services other than the standard commission or fee for that service.

- 1.6 The Firm ensures fair treatment of investors in the Funds in line with the principle of proportionality through:
- a) Decision-making procedures;
  - b) An organized structure with reporting lines, allocation of functions and responsibilities, internal control mechanisms, internal and external report and communication of information, maintenance of records of business and internal organization);
  - c) The safeguard of the security, integrity and confidentiality of information;
  - d) An adequate business continuity plan for the preservation of essential data and functions and the maintenance of services and activities;
  - e) Accounting policies, procedures and valuation rules to reflect a true and fair view of the Fund's financial position;
  - f) Appropriate redemption policies and procedures.

Where the Firm would accord a preferential treatment to one or more investors, it shall not result in an overall material disadvantage to other investors.

- 1.7 The Firm has robust governance arrangements and management oversight of the business. Key business decisions are taken by the board of directors who understand the Firm's obligations to manage and mitigate conflicts of interest. Operating conditions that may involve any other material conflicts of interest are assessed and disclosed to the investors in the Funds.

- 1.8 The Firm's Board and its staff have adequate collective knowledge, skills and experience to understand the Firm's activities and the main risks involved. Furthermore, they act with honesty, integrity and independence of mind.

- b. The Compliance Officer is tasked with identifying conflicts of interest and reports directly to the board of directors. Management information relevant to identifying conflicts is reviewed by the Compliance Officer (including risk reports, monitoring of account and position statements produced by the Firm's funds' third-party administrators, etc.). The Firm has a Conflicts Register in the form of Appendix M that seeks to identify and mitigate the Firm 's potential and actual conflicts of interest. This policy shall be reviewed at least annually by the board of directors.

- 1.9 In case of delegation, the Firm takes into consideration the following criteria to assess whether a delegation conflicts with the interests of the Firm or with those of the investors:

- a) The Firm and the delegate are members of the same group or have any other contractual relationship, the extent to which the delegate controls the Firm or has the ability to influence the Firm's actions;
- b) The Delegate and an investor are members of the same group or have any other contractual relationship, the extent to which this investor controls the delegate or has the ability to influence its actions;
- c) The likelihood that the delegate makes a financial gain, or avoids a financial loss, at the expense of the AIF or the investors in the AIF;
- d) The likelihood that the delegate has an interest in the outcome of a service or an activity provided to the Firm or the AIF;
- e) The likelihood that the delegate has a financial or other incentive to favour the interest of another client over the interests of the AIF or the investors in the AIF;
- f) The likelihood that the delegate receives or will receive from a person other than the Firm an inducement in relation to the discretionary portfolio management activities provided to the Firms and the AIFs it manages in the form of monies, goods or services other than the standard commission or fee for that service.

- 1.10 In order to prevent situations where the firm or any of its employees may trade excessively with trading counterparties on behalf of the fund or client portfolios it manages in order to generate commission income by such trading counterparties for its own benefit, usually known as "churning". In specific in regard to its role as UCITS Manager, as per CESR's technical advice to the European Commission on the level 2 measures related to the

UCITS management company passport, churning is clearly identified as a potential conflict of interest and instructs them to act in a way to prevent such practice:

- a) No trading counterparty the Firm trades with on behalf of its clients is an affiliate of the Firm.
- b) The Firm is prohibited from agreeing any commission rebate or other remuneration arrangements with any trading counterparty it trades with on behalf of its clients.
- c) The remuneration of the Firm's employees is structured in a manner that discourages behavior which is not in the best interests of clients and which promotes sound risk management

- practices, including conduct risk.
- d) In order to assess the presence of a concealed potential churning activity by any of its employees involved in Investment Management, the Firm's Risk Manager will monitor on a QUARTERLY basis, through reports it receives from the fund administrator or internally generated by systems used by the Firm (in case there is no fund administrator or the fund administrator cannot produce such report), that the YEAR-TO-DATE PORTFOLIO TURNOVER AT EACH OBSERVATION IS LESS THAN 250%.
  - e) Provided that the Board of Directors of the Fund may agree with the Firm a different threshold.
  - f) The Firm will report on a quarterly basis to the Board of Directors of the Fund on the year-to-date portfolio turnover highlighting also any instances where the set threshold is exceeded.
  - g) In case any quarterly-monitored year-to-date portfolio turnover exceed the figure highlighted above, the Risk Manager will raise the issue with the Compliance Officer and both will conduct independent investigations, also involving the involved trading counterparties, on whether such activity was legitimate or was dictated by any undisclosed arrangement with any of the Firm's employees that the Firm was not aware of. If malfeasance is found, the issue will be promptly escalated by the Compliance Officer to the Firm's board of directors.
  - h) There are some fund portfolios that may purposely follow strategies for which a high level of activities is expected and duly disclaimed to the investors, including but not limited to high frequency trading, algorithmic trading, arbitrage strategies, event-driven strategies, etc. In such instances, it would not make sense to monitor portfolio turnover activity per se, but rather the Compliance Officer will need to classify such funds as HIGH RISK from a churning point of view and monitor closely the activity of the portfolio manager(s).
  - i) No churning activity can take place by definition on non-financial instrument investments, such as private equity, real estate and other real assets, whose exchange is not subject to the presence of a market intermediary and are not readily tradable. Funds investing exclusively in such assets are excluded from the Risk Manager's monitoring.
- 1.11 The Firm has defined and clear reporting lines. An organizational chart is maintained by the Compliance Officer. The Firm has structured its senior management to appropriately segregate duties to avoid conflicts of interest wherever possible.
- 1.12 The board of directors has determined, in light of its current organizational chart and the seniority and experience of its Compliance Officer, that it is not necessary to engage external compliance consultants to advise on the Firm's compliance program or to undertake independent monitoring of the Firm's regulatory obligations (including management of conflicts of interest).
- 1.13 The Firm has a documented Remuneration Policy detailing the Firm's approach to remuneration and compensation arrangements. The Firm's interests and the staff's interests are aligned with those of the Firm's clients. The fixed level of remuneration, and the portfolio risk management arrangements, minimize and manage potential conflict where too much risk is being taken with a client's portfolio in order to increase potential fees.
- 1.14 Staff and directors are required to disclose in writing any conflicts of interest upon commencement of employment with the Firm and on a periodic basis. Staff and directors will disclose any conflicts of interest directly to the Compliance Officer and to the board of directors.
- 1.15 The Firm discloses to its clients, in its offering memoranda and other documents, all material conflicts in sufficient detail so as to allow the client to take an informed decision in relation to the service offered.
- 1.16 If the potential risk cannot be managed effectively with reasonable confidence, the Company shall clearly disclose to Clients that the organisational and administrative arrangements implemented by the Company to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Client will be prevented. The Company shall provide the Client with a specific description of the conflicts of interest that arise in the provision of the investment service, taking into account the nature of the client to whom the disclosure is being made. The description shall explain the general nature and sources of conflicts of interest as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks. The information provided shall be such as to enable the Client to make an informed decision regarding the service in the context of which the conflict of interest was originated
- 1.17 If the Firm's arrangements to manage a potential conflict of interest are not sufficient to ensure with reasonable confidence that the risk of damage to that client's interests is prevented, the Firm will inform the client in writing or on the Firm's website.

- 1.18 The Firm has comprehensive policies and procedures, which are designed to establish consistent controls to manage and mitigate conflicts. These are reviewed regularly by the Firm and furthermore when the Firm's business changes, to ensure the policies and procedures are current and effective.
- 1.19 Any significant breach of this policy or proposed changes to the policy that could have a significant impact on the Firm's risk profile or resources will be promptly notified to the MFSA in accordance with its rules.

The board of directors will review this policy at least on an annual basis. As part of this process the board of directors will seek the input from the Risk Manager and the Compliance Officer and other control functions and independent third parties as required