

Procedure G – Conflict of Interest Policy

July 2014

1 Introduction

According to the regulation 10-4 and CSFF Circular 12/546, the Company has to put in place proper procedures for the effective identification and handling of conflict of interests and has to provide its clients with a brief description of the internal procedures adopted.

The purpose of this Conflicts of Interest Policy is:

- to identify by reference to the specific services and activities carried out by the Company and the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients; to define procedures in order to manage such conflicts;
- to communicate this information to all employees.

It is the responsibility of all employees to familiarise themselves with the policy and report conflicts of interest through the appropriate channels to the General Manager of the Company (the GM).

2 Relevant persons

To the extent of this procedure, the following subjects are considered as relevant persons:

- directors and partners that, based on the interest had, can be in a situation of conflicts of interest, managers or agents of the Company;
- any other individual whose services are available and under the supervision of the Company and who participate in the provision of investment services and activities on behalf of the Company;
- any other individual who is directly involved in the provision of services to the Company on the basis of an outsourcing agreement having as its object the provision of investment services and activities provided by the Company.

3 Responsible person

The responsibility to assess the compliance of the Company's managers, staff and personnel with the conflict of interest procedure has been assigned to the GM.

The GM, having heard the other CPs and the Compliance Officer of the Company, must control that the procedure is respected and must notify the BOD for any breach or violation he should be aware of during the normal course of his assessment procedure.

4 Role of the Independent Directors

In order to strengthen the supervision on the conflicts of interests policy, the Company has appointed one independent board member to ensure that any material conflict of interests involving directors will be properly dealt with.

An "independent" director is someone who is independent from the Company governance and free from any business ties or other relationships with the Company, its controlling shareholders or the management.

A director shall be deemed to be independent when he has not been delegated any authority concerning the operation of the Company and at the same time:

- has no significant business or professional dealings, nor has or has had an employment relationship with the management company, its parent company or subsidiaries, its affiliates or companies subject to joint control, or with directors that have management authority;
- is not part of the family of other members of the Board of Directors, of any shareholders or group of controlling shareholders, where “family” shall mean a spouse who is not legally separated, relatives and persons related by marriage within the fourth degree of kinship;
- does not own, either directly or indirectly, more than 5% of the management company’s voting capital and has not entered into any shareholders’ agreement whose purpose or effect is to control the management company;
- complies with the requirements relating to a competence and standing that are not less than those established by the Board of Directors.

5 General Policy

Where even the appearance of a conflict exists, there may be damage to the Company reputation for integrity. Ultimately, to avoid that any reputational risk may arise the Company will take whatever steps may be necessary in order to preserve Company’s reputation.

In this respect, no one, amongst Company’s organization may engage in activities or acquire interests, which conflict with the interests of the Company and, in particular, entail a material risk of damage to the interests of Company’s clients.

Potential conflicts of interest detected by an employee have to be reported immediately to the GM. Employees shall not attempt to resolve ambiguous or uncertain issues by themselves. The GM will then report immediately to BOD. The BOD will in either case and insofar as necessary make further own inquiries on the potential conflict situation and, thereafter decide on further proceedings.

If a conflict of interest cannot be avoided by other measures, the Company will disclose the nature and the source of the remaining conflict of interest to the client in form of a communication of general nature. The Company will not act on behalf of the client before such communication has been sent and acknowledged by the client.

Guidelines respecting certain specific practices and conditions are discussed below. The fact that a particular practice or condition is not prohibited below does not mean that it has been approved.

6. Conflict of interest definition

Conflict of Interests may arise in the following situations:

- when the Company, or relevant persons amongst its organization, can make a financial gain or avoid a financial loss to the detriment of the client;
- when the Company, or relevant persons amongst its organization, have an interest in the outcome of a service provided to the client, distinct from that of the customer;
- when the Company, or relevant persons amongst its organization, have an incentive to favor the interests of customers other than that to which the service is provided;
- when the Company carries out the same activity of the client;
- when the Company, or relevant persons amongst its organization, receives or may receive from a person other than the customer, in connection with the service to these borrowed, an incentive in the form of money, goods or services, other than committees or received for that service.

7. Scenarios of potential conflicts of interest

Considering the above criteria, the Company has identified the following main scenarios of potential conflicts of interest:

Situation	Example
FINANCIAL/PERSONAL INTEREST Where a board member has a financial/personal interest in an enterprise in which the Company invests and could be perceived to be in a position to influence relevant investment decisions.	Holding an equity interest in a Company in which the Company invests or a personal relationship of a board member with another board member in the enterprise selected.
HOLDING MULTIPLE POSITIONS Where a board member holds multiple positions in companies or other collective investment schemes, in which the Company invests while simultaneously being a board member.	Assuming responsibilities in paid or unpaid positions, for an outside organisation that diverts its attention from the investment Company duties, or creates other conflicts of loyalty.
INDUCEMENTS Where the Company receives an inducement in relation to collective portfolio management activities provided to the Company, or they receive the commissions from another Company or introducing broker, purchasing a particular security in which the Company invests.	The Company will seek out the products that pay the greatest commission for themselves, instead of focusing on what investment is going to be best for the client.

Situation	Example
TYPE OF CLIENTS Where the Company, or the Investment Managers on the same activities for the Company and for other clients which are not in the Company.	The Company has a financial or other incentive to favour the interests of another client over the interests of the Company.
SERVICES Where the board has an interest in the outcome of a service provided to the Company, which is distinct from the Company interest in that outcome.	The board enjoys of some services not relevant for clients.
CLIENT INTERESTS Where the Company is likely to make a financial gain, or avoid a financial loss, at the expenses of the Company.	The Company takes the decision to make some investments not aligned to the client interests.

8. Criteria for the managing of conflicts of interest

The main methods used by the Company to manage conflicts of interest, either real or potential, include the following:

1.	Establishing effective procedures to stop or control the exchange of information between Relevant Persons who take part in activities of collective portfolio management involving a risk of a conflict of interest where the exchange of that information may harm the interests of one of several customers. These procedures include the following measures: physical barriers, computerised barriers and checking their effectiveness.
2.	Segregation of functions: the separate supervision of Relevant Persons whose principal functions involve carrying out activities on behalf of customers whose interests may conflict, or where these clients represent different interests that may conflict with the interests of the Company.
3.	The removal of any direct link between the remuneration of Relevant Persons where a conflict of interest may arise in relation to the activities they are engaged in.
4.	Measures to prevent or limit any person from exercising inappropriate influence over the way in which a Relevant Person carries out investment or ancillary activities.
5.	Measures to prevent or control the simultaneous or sequential involvement of a Relevant Person in investment services or activities where such involvement may impair the proper management of conflicts of interest.

9. Rules and procedures aiming at minimizing the risk of investors' interests being prejudiced by conflicts of interest

In determining what steps are reasonable to take to mitigate the risk of conflicts of interest occurring and/or eliminate any actual conflicts of interest, the Board of Directors considers how such conflict of interest may adversely affect the interests of the Company and/or its clients.

The Board has established the following main measures designed to mitigate the risk of conflicts of interest occurring and/or eliminate any actual conflicts of interest in the scenarios identified above.

N.	Mitigation Measures	Remedial Measures
1.	FINANCIAL/PERSONAL INTERESTS Measures should prevent any person from exercising inappropriate influence over the way in which a person carries out portfolio management activities.	Requesting the members of boards and committees to absent themselves from debate or decision on specific matters which create the conflict.
2.	HOLDING MULTIPLE POSITIONS Measures should prevent the simultaneous or sequential involvement of one person in separate portfolio management activities, where such involvement can lead to a conflict of interest.	Removing the person from the responsibilities or duties to which the conflict relates.
3.	INDUCEMENTS If the remuneration of Relevant Person performing different activities for the client are linked to factors which may give rise to a conflict of interest, these links should be removed.	Checking if the fees, commissions or non-monetary benefits are being paid on behalf on the clients or if they are proper fees relating to the provision or enhancement of investment services and by their nature cannot give rise to conflict with the Board's duties to act honestly in accordance with the best interests of its clients.
4.	TYPE OF CLIENTS Procedure and measures should avoid exchange of information between Relevant Persons engaged in portfolio management and other external clients, if this exchange could harm the client Company's interests.	Restricting the access of the person to relevant information that are sensitive or confidential, making arrangements for members of boards and committees to absent themselves from debate or decision on specific matters.
5.	SERVICES Relevant Persons providing services to clients whose interest may conflict should be separately supervised.	Appointing an independent third party to oversee the integrity of the process, where there may be a reasonably perceived conflict of interest or whereby processes are already underway when the perception is raised.

N.	Mitigation Measures	Remedial Measures
6.	CLIENT INTERESTS Procedures should verify if the decision taken could produce a potential advantage for the clients or not, in respect to the investment policy of the Company.	Appointing extra persons to the committee to minimise the influence of the individual about whom the perception is held, removing the person from the responsibilities or duties to which the conflict relates.

10. Conflicts of interest register

In accordance with principles detailed above, the Company has put in place a specific conflicts of interest register, in order to record all activities carried out during asset management which produce or can produce a conflict of interest. In particular, the register will record the following information:

- Activity that have given or might give rise to a conflict
- Type of conflict
- Date of acknowledgement of conflict
- Names of relevant persons informed
- Date of relevant persons informed
- Risk analysis
- Measures taken
- Additional comments

Such register is updated by the GM and submitted to the Board of Directors on a **yearly basis**.