



SMBC Nikko Investment Fund Management Company S.A.

CONFLICTS OF INTERESTS POLICY

PRESENTATION

From	Management Committee
Reviewed by	Compliance Officer, PWC
Approved by	Board of Directors

Revision history

Establishment/ Revision date	Details
26 May 2014	First approval and implementation date
23 July 2014	Minor amendments to some expressions

Scope

This Conflicts of Interests Policy (the “Policy”) sets out the legal & regulatory requirements, as well as the related actions, which SMBC Nikko Investment Fund Management Company S.A. (hereinafter referred to as “SNIF”) complies with in order to meet its obligations, in the area of conflicts of interests, as management company authorized as Alternative Investment Fund Manager pursuant to the Luxembourg law of 12 July 2013 on Alternative Investment Fund Managers (the “AIFM law”).

In summary SNIF has to establish, implement and maintain a Conflict of Interests policy which is consistent with and promotes sound and effective risk management and which does not induce excessive risk-taking. The policy must be in line with the business strategy, objectives, values and long term interests of SNIF.

Target Audience

The target audience for the Policy is all employees of SNIF, and any person subject to the terms of specific employment contract, such as fixed-term or temporary contract, or any other kind of legal arrangements he/she has entered into with SNIF, SNIF’s Japanese delegates and other persons employed by specific contract by SNIF (the “Employee(s)”).

For the avoidance of any doubt, the Policy also applies to persons who are asked to serve on the Board of Directors of SNIF (the “Board of Directors”).

Effective Date

The Policy repeals and replaces any previously issued policies and/or procedures on this subject. The Policy is applicable with immediate effect.

External Disclosure

The Policy will be made available to the Commission de Surveillance du Secteur Financier (the “ CSSF ”) in accordance with the terms hereof.

Internal Disclosure

The Policy is part of SNIF’s policies and procedures and as such the main principles are available to all Employees.

Table of contents

PRESENTATION	2
Target Audience	2
Effective Date	2
External Disclosure	2
Internal Disclosure	3
1. Legal & regulatory requirements	5
1.1 Conflicts of interests policy	5
1.2 Criteria for the identification of conflicts of interests	5
1.3 Independence in conflicts management	6
1.4 Management of activities giving rise to detrimental conflicts of interests	6
1.5 Disclosure of conflict of interest	7
1.6 Disclosure of conflict of interest in case of acquisition of control	7
1.7 Rules in relation to the redemption of investments	8
1.8 Rules in relation to the governing bodies of SNIF	8
1.9 Rules in relation to the Conducting Officers and Directors of SNIF	8
1.10 Rules in relation to the staff of SNIF	9
1.11 Rules in relation to the Management Information of SNIF	9
1.12 Rules in relation to the compliance and internal audit functions	9
1.13 Rules in relation to the risk management function	10
1.14 Rules in relation to personal transactions	11
1.15 Rules in relation to inducements	11
1.16 Rules in relation to voting rights	12
1.17 Rules in relation to remuneration policy	12
1.18 Rules in relation to the delegation of functions	12
1.19 Rules in relation to the valuation function	12
1.20 Rules in relation to the depositary function	12
2. Template of record of conflicts of interests	14
3. Approval	15

CONFLICTS OF INTERESTS POLICY

1. Legal & regulatory requirements

1.1 Conflicts of interests policy

SNIF establishes, implements, maintains and applies an effective conflicts of interest policy. This policy is set out in writing and is appropriate to the size and organisation of SNIF and the nature, scale and complexity of its business.

The conflicts of interests policy established includes the following:

1. with reference to the activities of collective portfolio management carried out by or on behalf of SNIF, including activities carried out by a delegate, sub-delegate, external valuer or counterparty, identification of the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of the funds managed by SNIF (the “Fund(s)”) or their investors (the “Investors”);
2. procedures to be followed and measures to be adopted in order to prevent, manage and monitor such conflicts.

SNIF, as part of its authorisation file, confirms to the CSSF that it has set up a conflicts of interests policy.

1.2 Criteria for the identification of conflicts of interests

As a general principle, the Board of Directors and the Conducting Officers of SNIF (the “Conducting Officer(s)”) have to always act in the best interest of the investors of the Funds managed by SNIF.

For the purpose of identifying the types of conflicts of interests that arise in the course of the Funds, the respective parties have to take into account, by way of minimum criteria, the question of whether SNIF or any relevant person or a person directly or indirectly linked by way of control to SNIF, is in any of the following situations:

- a) SNIF or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the Fund or its Investors;
- b) SNIF or that person has an interest in the outcome of a service or an activity provided to any Fund or its Investors or to a client or of a transaction carried out on behalf of the Fund or a client, which is distinct from the Fund’s interest in that outcome;
- c) SNIF or that person has a financial or other incentive to favour:
 - the interest of a Fund of a different type, a client or group of clients or another Fund over the interest of the Fund;
 - the interest of one Investor over the interest of another Investor or group of Investors in the same Fund;
- d) SNIF or that person carries out the same activities for the Fund as for one or several Funds or clients which are or are not of the same type;

- e) SNIF or that person receives or will receive from a person other than a Fund or its Investors an inducement in relation to the collective portfolio management activities provided to the Fund, in the form of monies, goods or services, other than the standard commission or fee for that service.

SNIF takes all reasonable steps to identify conflicts of interest that arise in the course of the Funds between:

- a) SNIF, including its Conducting Officers, employees or any person directly or indirectly linked to SNIF by control, and any Fund or the Investors in that Fund;
- b) a Fund or the Investors in that Fund, and another Fund or the Investors in that other Fund;
- c) a Fund or the Investors in that Fund, and another client of SNIF;
- d) two clients of SNIF.

1.3 Independence in conflicts management

The procedures and measures established for the prevention and management of conflicts of interests are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence appropriate to the size and activities of SNIF and of the group to which it belongs, and to the materiality of the risk of damage to the interests of the Funds or their Investors.

These procedures and measures include the following where necessary and appropriate for SNIF to ensure the requisite degree of independence:

- a) effective procedures to prevent or control the exchange of information between relevant persons engaged in activities of collective portfolio management or other authorized activities involving a risk of a conflict of interests where the exchange of that information may harm the interests of one or more Funds or their Investors;
- b) the separate supervision of relevant persons whose principal functions involve carrying out activities of collective portfolio management on behalf of, or providing services to, clients or investors whose interests may conflict, or where these clients represent different interests that may conflict with the interests of the Funds or the interests of SNIF;
- c) the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interests may arise in relation to those activities;
- d) measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out collective portfolio management activities;
- e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in several distinct collective portfolio management activities or other authorized activities where such involvement may impair the proper management of conflicts of interests.

If the adoption or the implementation of one or more of those measures and procedures does not ensure the requisite degree of independence, SNIF adopts such alternative or additional measures and procedures as are necessary and appropriate for that purpose.

1.4 Management of activities giving rise to detrimental conflicts of interests

SNIF keeps at its registered office and regularly updates a record of the types of activities carried out by or on behalf of SNIF in which a conflict of interest entailing a material risk of damage to the interests of one or more funds or their investors or other clients has arisen, or, in the case of an ongoing activity, may arise.

The Conducting Officers of SNIF receive on a regular basis, and at least annually, written reports on activities referred to in the paragraph above.

Where SNIF on behalf of a Fund uses the services of a prime broker, the terms are set out in a written contract. In particular any possibility of transfer and re-use of the Fund's assets are provided for in that contract and complies with the Fund rules or instruments of incorporation. The contract provides that the depositary be informed of the contract.

SNIF exercises due skill, care and diligence in the selection and appointment of prime brokers with whom a contract is to be concluded.

1.5 Disclosure of conflict of interests

SNIF segregates, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other or which may potentially generate systematic conflicts of interests. When SNIF perceives its operating conditions may involve any other material conflicts of interests, it discloses them to the investors of the funds.

SNIF clearly discloses the general nature or sources of conflicts of interest to the investors of the situations referred to in the two paragraphs above by means of any appropriate durable medium or by means of a website and provide the reasons for its decision, before undertaking business on their behalf, and develop appropriate policies and procedures.

1.6 Disclosure of conflict of interests in case of acquisition of control

1. When an Fund acquires, individually or jointly, control of a non-listed company or an issuer, SNIF makes the information referred to in paragraph 2 of this section available to:

- a) the company concerned;
- b) the shareholders of the company of which the identities and addresses are available to SNIF or can be made available by the company or through a register to which SNIF has or can obtain access; and
- c) the CSSF.

EU member states may also require that the information referred to in paragraph 2 is also made available to the competent authorities of the non-listed company which the Member States may designate to that effect.

2. SNIF makes available:

- (a) the identity of the AIFMs (as defined in the article (1) of the AIFMD) which either individually or in agreement with other AIFMs manage the AIFs that have acquired control;
- (b) the policy for preventing and managing conflicts of interests, in particular between SNIF, the AIF and the company concerned, including information about the specific safeguards established to ensure that any agreement between SNIF and/or the AIF and the company concerned is concluded at arm's length; and
- (c) the policy for external and internal communication relating to the company concerned in particular as regards employees.

3. In its notification to the company, SNIF requests the Board of Directors of the company concerned to inform the employees' representatives or, where there are none, the employees themselves, without undue delay of the information referred to in paragraph 2. SNIF uses its best efforts to ensure that the employees' representatives or, where there are none, the employees themselves, are duly informed by the Board of Directors.

1.7 Rules in relation to the redemption of investments

When it manages an open-ended Fund, SNIF identifies, manages and monitors conflicts of interests arising between investors wishing to redeem their investments and investors wishing to maintain their investments in the Fund, and any conflicts between incentive of the investment manager of such Fund to invest in illiquid assets and the Fund's redemption policy.

1.8 Rules in relation to the governing bodies of SNIF

Every member of the Board of Directors dedicates the required time and attention to his/her duties. Consequently, he/she ensures that he/she limits the number of other professional engagements, in particular mandates held in other companies, to the extent necessary in order to perform his/her tasks correctly.

1.9 Rules in relation to the Conducting Officers and Directors of SNIF

The Conducting Officers and the Board of Directors have to avoid conflicts between their personal interests or the interests of any associated company or person, and their duties.

Neither a Director of the Board of Directors (the "Director(s)") nor a Conducting Officer must take improper advantage of the position as Board Member and/or Conducting Officer to gain, directly or indirectly a personal advantage or an advantage for any associated person which might cause detriment to the Funds.

Each Director and/or Conducting Officer should seek to avoid conflicts of interests wherever possible. Full and prior disclosure of any conflict, or potential conflict, must be made to the Board of Directors. Where an actual or potential conflict does arise, a Director should at least refrain from participating in the debate and/or voting on the matter, and in the extreme case of continuing material conflict of interest, should resign from the Board of Directors.

Neither a Director nor a Conducting Officer is allowed to make improper use of information acquired as a Director and/or Conducting Officer or disclose them, or allows it to be disclosed.

Neither a Director nor a Conducting Officer must make improper use of information acquired by virtue of his/her positions. This prohibition applies irrespective of whether or not he/she is the Director, Conducting Officer or any associated person, and whether or not he/she would gain directly or indirectly a personal advantage. Neither a Director nor a Conducting Officer must disclose, or allow to be disclosed, confidential information received in the course of the exercise of his/her duties as a Director or Conducting Officer, unless that disclosure has been authorised by the Board of Directors or is required to be disclosed by law. Matters such as processes, advertising and promotional programmes and statistics affecting financial results are particularly sensitive and must not be disclosed.

Neither a Director nor a Conducting Officer should disclose any information which is not publicly available and which would have a material effect on the managed funds' share/unit price and should not disclose such information to anyone who may be influenced to subscribe for or redeem buy or sell shares/units, or may advise others to do so. Such information includes, but not limited to: profit forecasts, borrowings, impending litigation, and significant changes in operations, new products, applied investment techniques, new discoveries, and financial problems.

A Director must not buy or sell equities, which are also held in the portfolio of the managed funds, while being in possession of confidential information as a Director from the governed fund structures, which, if disclosed publicly, would be likely materially to affect the managed funds shares.

In coordination with the appointed compliance officer (the “Compliance Officer”) the Board should determine when equities or shares of a Fund can be traded by a Director, a Conducting Officer or an Employee, subject to legal or regulatory restrictions.

1.10 Rules in relation to the staff of SNIF

In principle, the staff is employed by SNIF.

The staff of SNIF may assume multiple functions. The exercise of multiple functions does not and is not likely to prevent the relevant persons from discharging any particular one of these functions soundly, honestly and professionally.

Long term absences or resignations of staff should not prevent, at end, the good functioning of SNIF.

1.11 Rules in relation to the Management Information of SNIF

SNIF maintains in an adequate and orderly manner records of its activities and its internal organisation. To this end, SNIF puts in place "Management Information" permitting the follow-up of its activity and that of its delegates.

The Management Information covers, amongst others, the incidents linked to the activity of collective management situations giving rise to conflicts of interests.

Finally, it is ensured that this Management Information is available in Luxembourg and to the extent possible kept in a central database accessible at any time in Luxembourg.

1.12 Rules in relation to the compliance and internal audit functions

The compliance function shall be able to operate independently and in compliance with the separation of tasks in order to identify any risk of non-compliance of SNIF with the requirements imposed by laws and regulations applicable to management companies and AIFMs.

In order to enable the compliance function to perform its responsibilities properly and independently, SNIF ensures that:

- (a) the compliance function has the necessary authority, resources, expertise and access to all relevant information;
- (b) a Compliance Officer is appointed and is responsible for the compliance function and for reporting on a regular basis, and at least annually, to the Conducting Officers on matters of compliance, indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies;
- (c) persons in the compliance function are not involved in the performance of services or activities they monitor;
- (d) the method of determining the remuneration of a Compliance Officer and other persons in the compliance function do not affect their objectivity and are not likely to do so.

However, SNIF is not be required to comply with points (c) or (d) of the paragraph above where it is able to demonstrate that in view of the nature, scale and complexity of its business, and the nature and range of its

services and activities, that the requirement is not proportionate and that its compliance function continues to be effective.

The function of Compliance Officer cannot be exercised by a member of the Board of Directors of SNIF.

It is possible for the Compliance Officer to provide legal services to SNIF.

The internal audit function operates independently and in compliance with the separation of tasks in order to identify any risk of non-compliance of SNIF with the requirements imposed by applicable laws and regulations.

In any event, the external expert is independent from the approved statutory auditor of SNIF or from the approved audit firm as well as from the group which the approved statutory auditor belongs to.

1.13 Rules in relation to the risk management function

The risk management function is considered as functionally and hierarchically separated from the operating units, including the portfolio management function, only where all the following conditions are satisfied:

- a) persons engaged in the performance of the risk management function are not supervised by those responsible for the performance of the operating units, including the portfolio management function of SNIF;
- b) persons engaged in the performance of the risk management function are not engaged in the performance of activities within the operating units, including the portfolio management function;
- c) persons engaged in the performance of the risk management function are compensated in accordance with the achievement of the objectives linked to that function, independently of the performance of the operating units, including the portfolio management function;
- d) the remuneration of senior officers in the risk management function is directly overseen by the remuneration committee, where such a committee has been established.

The functional and hierarchical separation of the risk management function is ensured throughout the whole hierarchical structure of SNIF, up to its governing body. It is reviewed by the governing body and, where it exists, the supervisory function of SNIF.

The CSSF reviews the way in which SNIF has applied the above mentioned requirements.

The safeguards against conflicts of interests ensure, at least, that:

- a) decisions taken by the risk management function are based on reliable data, which are subject to an appropriate degree of control by the risk management function;
- b) the remuneration of those engaged in the performance of the risk management function reflects the achievement of the objectives linked to the risk management function, independently of the performance of the business areas in which they are engaged;

- c) the risk management function is subject to an appropriate independent review to ensure that decisions are being arrived at independently;
- d) the risk management function is represented in the governing body or the supervisory function, where it has been established, at least with the same authority as the portfolio management function;
- e) any conflicting duties are properly segregated.

Where proportionate, taking into account the nature, scale and complexity of SNIF, the safeguards referred to in paragraph above also ensure that:

- a) the performance of the risk management function is reviewed regularly by the internal audit function, or, by an external party appointed by the governing body;
- b) where a risk committee has been established, it is appropriately resourced and its non-independent members do not have undue influence over the performance of the risk management function.

The governing body of SNIF and, where it exists, the supervisory function establishes the safeguards against conflicts of interests laid down in the two paragraphs above, regularly reviews their effectiveness and takes timely remedial action to address any deficiencies.

In light of the foregoing, SNIF appoints therefore, in principle, from among its staff a person who is responsible for the risk management function, who performs his mandate under the direct responsibility of the Conducting officer of SNIF responsible for the risk management function.

Without prejudice to the operational model chosen, the conducting officer responsible or directly in charge of the risk management function may not, at the same time, be the conducting officer responsible for portfolio management, even if this function is delegated to a third party.

The risk management function may not be combined with the internal audit function of SNIF. By contrast, it is permissible to combine the compliance function with the risk management function.

1.14 Rules in relation to personal transactions

SNIF establishes, implements and maintains adequate arrangements aimed at preventing certain activities in the case of any relevant person who is involved in activities that may give rise to a conflict of interest, or who has access to inside information, or who has access to inside information within the meaning of Article 1, paragraph (1) of the Law of 9 May 2006 on market abuse or to other confidential information relating to funds or transactions with or for funds by virtue of an activity carried out by him/her on behalf of SNIF.

The supervision of these activities shall be made by SNIF based on the Employee Trading Policy and Procedure.

1.15 Rules in relation to inducements

In order to ensure SNIF to act honestly, fairly and professionally in accordance with the best interests of the Funds or the Investors if, in relation to the activities performed when carrying out its functions, it pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit, SNIF has established the Inducement Policy. The supervision of these activities shall be made by SNIF based on the Inducement Policy.

1.16 Rules in relation to voting rights

SNIF develops adequate and effective strategies for determining when and how voting rights attached to instruments held in the managed portfolios are to be exercised, to the exclusive benefit of the Fund concerned and its Investors. As the portfolio management function are, in principle, delegated to the investment managers, the supervision of voting rights activities shall be made by SNIF based on the Delegation Functions Policy and the Proxy Voting Right Policy.

1.17 Rules in relation to remuneration policy

So as to promote sound and effective risk management, SNIF implements the Remuneration Policy in conformity with CSSF Circular 10/437. The supervision shall be made by SNIF based on the Remuneration Policy.

1.18 Rules in relation to the delegation of functions

In the case where SNIF partly or wholly delegates one or several functions included in the collective management, it verifies that the delegates have taken suitable measures so as to comply with the requirements in the area of conflicts of interest set out in the present conflicts of interest policy. The abovementioned requirement also applies to partial delegation of one or several functions.

The supervision of delegation shall be made by SNIF based on the Delegation Functions Policy.

1.19 Rules in relation to the valuation function

SNIF ensures that the valuation function is either performed by:

- a) an external valuer, being a legal or natural person independent from the Fund, SNIF and any other persons with close links to the Fund or SNIF; or
- b) SNIF itself, provided that the valuation task is functionally independent from the portfolio management and the remuneration policy and other measures ensure that conflicts of interest are mitigated and that undue influence upon the employees is prevented.

The supervision of the valuation function shall be made by SNIF based on the Valuation Policy.

1.20 Rules in relation to the depositary function

In order to avoid conflicts of interests between the depositary, SNIF and/or the Fund and/or the Investors:

- a) SNIF does not act as depositary;
- b) a prime broker acting as counterparty to a Fund does not act as depositary for that Fund, unless it has functionally and hierarchically separated the performance of its depositary functions from its tasks as prime broker and the potential conflicts of interests are properly identified, managed, monitored and disclosed to the investors of the Fund. Delegation by the depositary to such prime broker of its custody tasks is allowed if the relevant AIFMD conditions (i.e. Article 21 § 11) are met.

In the context of their respective roles, SNIF and the depositary act honestly, fairly, professionally, independently and in the interest of the Fund and the Investors.

The depositary shall not carry out activities with regard to the Fund or SNIF on behalf of the Fund that may create conflicts of interests between the Fund, the Investors, SNIF and itself, unless the depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and the potential conflicts of interests are properly identified, managed, monitored and disclosed to the Investors.

The assets entrusted to the depositary of the Fund for safekeeping shall not be reused by the depositary without the prior consent of the Fund or SNIF acting on behalf of the Fund.

2. Template of record of conflicts of interests

	<i>Nature of the conflict, identification date, parties involved, assessment of incurred risks</i>	<i>Conflict management measures</i>	<i>Internal & external reporting made</i>	<i>Status of the conflict</i>
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
Etc.				

3. Approval

This conflicts of interests policy enters into force as of 26 May 2014.

It is reviewed by the Compliance Officer and validated by the Management Committee on an annual basis.

It is then approved by the Board of Directors of SNIF for entering into force.

Francesca Gigli
Director of SNIF

Hideyuki Takahashi
Director of SNIF

John Pierre Hettinger
Director of SNIF

Jacques Elvinger
Director of SNIF
