

**MAINFIRST AFFILIATED FUND MANAGERS  
(DEUTSCHLAND) GMBH****CONFLICTS OF INTEREST MANAGEMENT POLICY**

Applicable to	MainFirst Affiliated Fund Managers (Deutschland) GmbH
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## Table of Contents

1	Introduction.....	3
2	Scope and Purpose .....	3
3	Definition of a Conflict of Interest .....	3
4	Types of Conflicts of Interest: Business and Personal.....	3
5	Conflicts of Interest Management Rules .....	4
5.1	Duty to Prevent Conflicts of Interest .....	4
5.2	Duty to Identify and Report Conflicts of Interest.....	4
5.3	Duty to Properly Manage Conflicts .....	4
5.3.1	The Independence Rule .....	5
5.3.2	Investment Research .....	5
5.3.3	Best Execution .....	6
5.3.4	Personal Conduct .....	6
5.3.5	Related Party Transactions .....	6
5.4	Duty of Care. Duty to Disclose to Client.....	6
5.5	Decline to Act.....	6
5.6	Duty to Record and Retain – Conflicts Register.....	7
6	Roles and Responsibilities .....	7
7	Document History and Version Control .....	8

## 1 Introduction

The MainFirst Group and the different MainFirst entities involved in the provision of investment and ancillary services<sup>1</sup> ("MainFirst") are required under applicable rules to establish, maintain and enforce systems and controls including written policies and procedures reasonably designed, taking into consideration the nature of their business, to prevent the misuse of material non-public information ("Inside Information"), protect other client interests and to avoid and/or properly manage actual or potential conflicts of interest and the appearance thereof.

## 2 Scope and Purpose

This Policy sets out the MainFirst rules for preventing, identifying and managing conflicts of interest that may arise between MainFirst, its clients and/or Employees. It applies to all MainFirst entities and businesses including any third parties involved in the provision of services and their employees. It provides for a global minimum standard to ensure compliance with relevant rules and best industry practice that should be reflected and elaborated in implementing company and business policies and procedures, as appropriate. It is subject to regular review to guarantee continuous relevance.

## 3 Definition of a Conflict of Interest

A conflict of interest arises when the interests of MainFirst or of a related person linked to MainFirst directly or indirectly by employment or contract (hereinafter referred to as 'Employee') adversely affect a duty owed to a MainFirst client, or when the interests of an Employee adversely affect his/her duty of loyalty or objectivity owed to MainFirst. Further conflict of interests can also occur between several clients of MainFirst. Conflicts of interest may be (i) actual (i.e. involve a direct conflict between current duties and/or interests), (ii) potential (i.e. involve a future conflict) or (iii) perceived (i.e. involve the semblance of a conflict).

## 4 Types of Conflicts of Interest: Business and Personal

Conflicts of interest can arise in a business or in a personal-related context.

Business-related conflicts are conflicts between the interests of MainFirst or of persons directly or indirectly connected to MainFirst and a duty owed to a client, or between the interests of two or more clients to each of whom MainFirst owes a duty and where by fulfilling its duty to one client MainFirst might damage or adversely affect the interests of the other(s). Such conflicts may arise as a result of the structure and different activities of MainFirst business units and/or companies. This is particularly the case when MainFirst provides investment or ancillary services to clients or acts as an agent on behalf of clients and consequently owes these clients duties (e.g. duty of care, fiduciary duty) defined by law or contract.

Personal conflicts of interest are conflicts between the private interests of employees and MainFirst business interests. Such conflicts may arise in particular because of outside activities, transactions, contracts or arrangements and in general because of financial, social, political or other personal interests that interfere with the employee's professional responsibilities and time commitments, and are contrary to MainFirst own interests.

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<sup>1</sup> As defined in Annex I, Sections A and B of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID II").

## 5 Conflicts of Interest Management Rules

### 5.1 Duty to Prevent Conflicts of Interest

MainFirst maintains and operates effective organizational and administrative arrangements with a view to taking all reasonable steps to prevent any conflicts of interest that may arise particularly in relation to the provision of investment and ancillary services to its clients. As far as personal conflicts of interests are concerned, employees are committed to the highest standards of integrity in all aspects of their activities in which opportunities for conflict may arise. As a general rule, no private or outside influence should interfere with the employee's duties to MainFirst.

### 5.2 Duty to Identify and Report Conflicts of Interest

MainFirst takes all reasonable steps to identify conflicts of interest. MainFirst companies, businesses and Employees identify and properly report business and personal conflicts of interest to the appropriate function, according to applicable rules and procedures to enable conflicts assessment and management prior to committing the Group vis-à-vis clients, counterparties, business partners or otherwise or prior to taking any other necessary decision or action. The same identification and disclosure duties apply with respect to conflicts that arise in the course of a transaction, assignment or otherwise.

Common situations in which conflicts of interest arise are when MainFirst or an Employee:

- (a) stand to profit or avoid a loss to the detriment of a client,
- (b) have an interest in the outcome of a service provided to the client that differs from the client's interest in that outcome,
- (c) have an incentive to favor one client over another,
- (d) receive from a person other than the client an inducement in relation to a service provided to the client other than the standard commission or fee for that service, or
- (e) have an incentive to favor their own interests above those of a client, in particular, where MainFirst or the employee carry out the same business as the client, have an incentive to provide investment advice or investment research to the client that is not impartial and/or stand to gain from volumes of business transacted with or for the client.

Employees are under a duty to disclose any post, other employment or fiduciary positions that they hold (e.g. board position with entity associated with MainFirst business, affiliations, personal investments including interests in hedge funds and private equity funds), or have held in the past or any other significant relationships that they have, including a professional, personal, financial or family relationship, held in connection with or capable of affecting the proper performance of their duties under conflicts management considerations. The same applies to their relationship with a particular product, client, counterparty or service provider that could give rise to a conflict of interest. They shall declare to their Management, and others as appropriate, any potential conflict of interest that arises in the course of their work (e.g. at meetings or during discussions or in the context of gifts and entertainment). Employees should recognize that a relationship disclosed under these rules as potentially giving rise to a conflict of interest might lead Management moving the Employee to another role after full discussion of the circumstances.

### 5.3 Duty to Properly Manage Conflicts

MainFirst manages any conflicts of interest that may arise as a result of its various services in order to prevent them from affecting adversely the interests of clients to whom MainFirst owes a duty. To this end, MainFirst maintains and operates internal organizational and administrative arrangements and in particular:

- (a) information barriers to control, manage or restrict as appropriate the flow of privileged information between areas of business or within a division including Chinese Walls and Deal Team Separation measures<sup>2</sup>.
- (b) policies and procedures that address conflicts of interest with focus on confidential information handling<sup>3</sup> and information security, best execution and client order handling, investment research, personal account dealing, outside activities, inducements and gifts and entertainment<sup>4</sup>.
- (c) monitoring and control arrangements and
- (d) awareness and training measures.

### 5.3.1 The Independence Rule

MainFirst has procedures and measures in place to ensure that Employees engaged in different business activities involving a conflict of interest entailing a material risk of damage to the interests of client(s) carry on these activities at a level of independence appropriate to the size and activities of the relevant entity and the Group and to the materiality of the risk of damage to the interests of clients. The requisite level of independence is ensured and evidenced through:

- (a) confidential information handling rules<sup>5</sup> and information barriers arrangements<sup>6</sup> that help prevent or control the exchange of confidential information,
- (b) the separate supervision of relevant Employees,
- (c) the removal of any direct link between the remuneration of relevant Employees and the remuneration of, or revenues generated by, different relevant Employees principally engaged in another activity, where a conflict of interest 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 Employee carries out services or activities,
- (e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate services or activities where such involvement may impair the proper management of conflicts of interest and
- (f) any alternative or additional measures and procedures as are necessary and appropriate for those purposes.

### 5.3.2 Investment Research

MainFirst takes appropriate measures and makes arrangements for protecting the objectivity and independence of financial analysts and the investment research they produce as required by pertinent laws and regulations. Such measures include at least the identification and management of conflicts of interest between those whose responsibilities or business interests (e.g. people involved in sales and trading on behalf of clients) may reasonably be considered to conflict with the interests of the recipients of investment research<sup>7</sup>.

<sup>2</sup> Please refer to the MainFirst Group Chinese Walls Policy.

<sup>3</sup> For further details see the MainFirst Group Code of Conduct.

<sup>4</sup> Please see the MainFirst Group Code of Conduct.

<sup>5</sup> For further details see the MainFirst Group Code of Conduct.

<sup>6</sup> Please refer to the MainFirst Group Chinese Walls Policy.

<sup>7</sup> For further details please see the MainFirst Group Research Policy and the Code of Conduct.

### 5.3.3 Best Execution<sup>8</sup>

When carrying out client orders in financial instruments for execution MainFirst takes all reasonable steps under MiFID II and MiFIR to obtain the best possible result for its clients, taking into account factors such as execution price, cost, speed and likelihood of execution and settlement, the nature or size of the client's order and any other considerations that may be relevant to the execution of the order. In particular, MainFirst considers the client's characteristics, including the client's categorization as professional, the nature of the order, i.e. whether a limit order, market order, or other specific type of order, the features of the financial instrument in question and the characteristics of the execution venues (i.e. regulated markets, MTFs, systematic internalizers, market makers or other liquidity providers) to which the order can be directed.

### 5.3.4 Personal Conduct

As a general rule, Employees must separate their business and personal activities, including private interests, in order to avoid a conflict of interest or the semblance of this with the legal, regulatory and/or fiduciary duties owed to the Group, clients, counterparties or other third parties. Business relationships must be based strictly on sound business decisions and fair dealing. Personal conflicts arising in a business context should be avoided and, if this proves impossible, be properly managed. In particular, financial interests, directly or indirectly involving business, investment or family, should be disclosed properly and promptly before entering into any arrangement, contract or transaction with MainFirst. Duty of interested directors to abstain from voting will apply as necessary.

### 5.3.5 Related Party Transactions

As a general rule, transactions with related parties (e.g. senior management, department heads, shareholders, affiliates) follow the arm's length principle. Relevant terms may not entail a material risk of damage to the interests of clients, the involved MainFirst entity or the Group. Disclosure and prior approval procedural safeguards apply as set out in applicable rules.

## 5.4 Duty of Care. Duty to Disclose to Client

When acting on behalf of clients, in particular when providing investment or ancillary services to clients, MainFirst acts honestly, fairly and professionally in accordance with the best interests of the client. If the organizational and administrative measures to avoid or manage conflicts of interest are deemed insufficient to ensure, with reasonable confidence, that risks of damage to the client's interests are prevented, then MainFirst shall consider whether disclosure of the general nature and/or sources of conflicts of interest to the client before undertaking business on the client's behalf is a proper measure for the management of conflicts. Should this approach be followed, then disclosure will need to be clear, appropriate and complete, taking into account the nature and level of sophistication of the client, in order to allow the client to assess the conflict situation and take an informed decision on the services to be provided.

## 5.5 Decline to Act

In the event that both general measures and the supplementary client disclosure approach are deemed insufficient to resolve a specific conflict situation or are unlikely to be effective in properly protecting the interests of the client, MainFirst shall consider declining the mandate and thus refraining from acting for the client.

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<sup>8</sup> For further details see the MainFirst Group Best Execution Policy.

## 5.6 Duty to Record and Retain – Conflicts Register

MainFirst entities involved in the provision of investment and ancillary services must keep and regularly update a record of the services or activities carried out by or on behalf of the firm in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an on-going service or activity, may arise. The record and any changes to it is kept for a period of five years. To this end, a Group Conflicts Register is maintained by Compliance for the different entities and businesses. Compliance vets and logs deal-related conflicts of interests upon conflicts pre-clearance in the Group Conflicts Register. Corresponding conflicts reporting and assessment duties of Employees responsible for the engagement, assignment or deal apply.

## 6 Roles and Responsibilities

MainFirst Entity and Business Management are responsible for ensuring compliance with this Policy (i.e. identifying, preventing and properly managing conflicts of interest) in their area of responsibility at entity or business level respectively. Management enforces the standards and takes appropriate corrective action when weaknesses or compliance failures are identified. Compliance provides advice and assists with the formulation, implementation, evaluation, awareness and monitoring of this Policy and implementing policies and procedures. Conflicts of Interest Management belongs to the core compliance-relevant areas. Compliance is involved in an advisory capacity in terms of relevant policy setting, set-up and changes in existing policy and monitoring arrangements. Next to Business (1<sup>st</sup> level) controls compliance with this policy is monitored by the Compliance Control Room<sup>9</sup>.

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<sup>9</sup> See the MainFirst Group Control Room Policy.



## 7 Document History and Version Control

Version Number	Author	Date	Approval	Brief Description
1.0		September 2018	Managing Director	Initial Document