

# Principles for Dealing with Conflicts of Interest

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HAUCK  
AUFHÄUSER  
FUND SERVICES

# In the Interest of our Clients

Luxembourg management companies and alternative investment fund managers (hereinafter “AIFMs”) are required to manage conflicts of interest in order to be able to provide their services in an environment of integrity and to avoid the adverse effects on investors’ interests which may arise as a result of a lack of integrity on the part of the company. To this end, potential and actual conflicts of interest must be identified and effective arrangements made for dealing with them and, where appropriate, they must be disclosed to the investors concerned.

The corporate policy of Hauck & Aufhäuser Fund Services S.A. (hereinafter “**the Hauck & Aufhäuser Management Company**”) is always designed to ensure that trading is conducted in such a way that conflicts of interest of any kind are excluded as far as possible from the outset. The Hauck & Aufhäuser Management Company is obliged to perform its respective duties and activities as a management company or an AIFM in an honest, fair and professional manner in the interest of the investors.

This document specifies the principles and procedures by which conflicts of interest are identified, managed and monitored.

## 1. Legal bases and terminology

As a management company within the meaning of Chapter 15 of the Law of 17 December 2010 on undertakings for collective investment (“**the UCI Law**”) and as an AIFM within the meaning of Chapter 2 of the Law of 12 July 2013 (“**the AIFM Law**”), the Hauck & Aufhäuser Management Company is obliged to comply with the relevant provisions of the UCI Law in conjunction with CSSF Regulation 10-04 and the AIFM Law in conjunction with Delegated Regulation (EU) No 231/2013 of 19 December 2012 on the identification, prevention, resolution and monitoring of conflicts of interest. Such rules are also to be found in the Law of 13 February 2007, as amended, concerning specialised investment funds.

Basically, a conflict of interest is a situation in which a party finds itself with conflicting obligations, commitments or objectives and, as a result, cannot fulfil its obligations or duties

free from any conflicting aspects. In performing its tasks, the Hauck & Aufhäuser Management Company is obliged to manage the undertakings for collective investment in transferable securities (“UCITS”), undertakings for collective investment (“UCIs”), alternative investment funds (“AIFs”) and reserved alternative investment funds (“RAIFs”) (hereinafter collectively referred to as “**the funds**”) which it administers in accordance with the law and equity.

## 2. Types of conflicts of interest

The risk of conflicts of interest may arise between

- the Hauck & Aufhäuser Management Company and its business partners for the time being,
- two business partners of the Hauck & Aufhäuser Management Company,
- a fund or the investors in such fund and another business partner of the Hauck & Aufhäuser Management Company,
- two funds<sup>1</sup> which damage the interests of the funds or those of the investors,
- the Hauck & Aufhäuser Management Company and its executives, employees or any other person who is directly or indirectly linked to the Hauck & Aufhäuser Management Company by a controlling relationship and the fund managed by it or the investors in that fund.

In particular, it is the task of each employee and of the Management Board/Supervisory Board as well as any person directly or indirectly linked to the Hauck & Aufhäuser Management Company by a controlling relationship to ensure that conflicts of interest are avoided or, if unavoidable, reported to the responsible compliance function.

Key areas of conflict-of-interest management of the compliance function include keeping a conflict-of-interest register and taking appropriate and necessary measures.

<sup>1</sup> For example, in the relationship of a UCITS managed by the Hauck & Aufhäuser Management Company to another UCITS managed by the Hauck & Aufhäuser Management Company; an AIF managed by the Hauck & Aufhäuser Management Company to another AIF managed by the Hauck & Aufhäuser Management Company or an AIF managed by the Hauck & Aufhäuser Management Company to an UCITS managed by it.

### 3. Identification of conflicts of interest

Conflicts of interest include, in particular, those situations in which the Hauck & Aufhäuser Management Company, its employees and the Management Board/Supervisory Board or a person directly or indirectly linked to it by a controlling relationship:

- is likely to obtain a financial advantage or avoid a financial loss, to the detriment of the fund or its investors;
- has an interest in the outcome of a service or activity provided to the fund or its investors or a business partner or of a transaction made for the fund or a business partner that does not coincide with the fund's interest in that outcome;
- has a financial or other incentive to place the interests of a client or investor or a group of business partners or investors above the interests of a fund or its investors and the interests of an investor over the interests of another investor or a group of investors in the same fund;
- performs the same activities for several funds or business partners;
- receives from a person other than the fund or its investors at the present time or in the future in respect of services for the collective portfolio management services provided to the fund an incentive in the form of money, goods or services in addition to the customary commission or fee therefor.

The employees and the Management Board/Supervisory Board of the Hauck & Aufhäuser Management Company as well as persons directly or indirectly linked to it by a controlling relationship are obliged to report potential or actual conflicts of interest to the responsible compliance function. The conflicts of interest so identified must be described and summarised in a conflict-of-interest register. This conflict-of-interest register is managed by the responsible compliance function and regularly updated. Potential conflicts of interest are risks which are considered in the compliance risk analysis.

#### 3.1 Conflicts of interest between related parties

All business relationships of the Hauck & Aufhäuser Management Company with other group units (e.g. Hauck Aufhäuser Lampe Privatbank AG, Luxembourg branch, or other units of the Hauck and Aufhäuser Group) or employees, shareholders, managers and/or members of the Board of Directors or Supervisory Board of these units which have or could have a material, adverse impact on the risk profile of the Hauck & Aufhäuser Management Company must be notified to the relevant compliance function and approved by the Management Board/Supervisory Board of the Hauck & Aufhäuser Management Company.

Conflicts of interest at the level of the Board of Directors of the managed funds may arise in particular where the members of the Board of Directors of the fund consist of employees or members of the Management Board of the Hauck & Aufhäuser Management Company or branch managers of Hauck Aufhäuser Lampe Privatbank AG, Luxembourg branch, or members of the management bodies of other units of the Hauck and Aufhäuser Group. In addition, there may be a conflict of interest where a fund is involved in a transaction in which one or more members of the Board of Directors of the fund are participating, directly or indirectly, as a counterparty. In addition, members of the Board of Directors of the fund may exercise mandates and functions in other funds or other structures and companies. In the event that a director of the fund has a conflicting personal interest in connection with a transaction, the director will disclose that conflicting personal interest and will not participate in any deliberations or votes in connection with that transaction and that transaction and the personal interest of the director of the fund will be reported to the next general meeting.

#### 3.2 Conflicts of interest with regard to investment advisers/portfolio managers

In addition, conflicts of interest may exist if a person directly or indirectly linked to the Hauck & Aufhäuser Management Company (for example, an investment adviser or a portfolio manager):

- is involved in a transaction directly or indirectly as a counterparty of a transaction of the fund;
- provides advice on financial market instruments of undertakings with which there are personal ties or in which significant holdings are held;
- exercises other mandates with a comparable range of duties.

Investment advisers and portfolio managers undertake to disclose all conflicts of interest to the Hauck & Aufhäuser Management Company in writing.

### 3.3 Conflicts of interest with regard to third parties

When outsourcing activities to external service providers, the Hauck & Aufhäuser Management Company monitors potential conflicts of interest as part of due diligence.

The Hauck & Aufhäuser Management Company ensures that the service providers involved also have an appropriate policy for dealing with conflicts of interest. This includes in particular service contracts with the domiciliary and central administration agent, the depositary and, if applicable, the registry and transfer agent and any appointed portfolio manager or investment adviser, in particular as far as members of the Board of Directors of the Fund simultaneously are in an employment or other contractual relationship with the service provider.

## 4. Measures to prevent and control conflicts of interest

The Hauck & Aufhäuser Management Company has implemented the following measures in particular in order to generally deal with any conflicts of interest:

- commitment of employees to high ethical standards;
- establishment of an independent compliance function;
- laying down principles and procedures for managing conflicts of interest;
- careful selection and regular training of employees and the Management Board;
- creation of a remuneration structure that guarantees the independence of employees;
- arrangements to control information flows in areas where there is a risk of a conflict of interest (creation of so-called “Chinese walls” and “wall-crossing” procedures which comply with the need-to-know principle);
- ensuring the organisational independence of departments or units between which conflicts of interest exist or may arise;
- preventing and/or controlling employee involvement in different potentially conflicting activities;
- separate monitoring of employees pursuing potentially conflicting interests in the course of their main activity, in particular of business partners or of the Hauck & Aufhäuser Management Company;
- recording and monitoring information relevant to conflicts of interest (maintaining a so-called “watch list” or “restricted list”);
- classification of certain employees as employees with special functions;
- separate monitoring of the trades of such employees;
- rules on the acceptance, granting and disclosure of benefits/gifts;
- regular collection of data regarding memberships and activities/mandates of employees outside their official duties.

The Hauck & Aufhäuser Management Company, as a management company supervised by the Commission de Surveillance du Secteur Financier (“CSSF”) and a member of the Association of the Luxembourg Fund Industry (“ALFI”), also complies with the ALFI Code of Conduct for Luxembourg Investment Funds.

## 5. Disclosure of conflicts of interest

If the organisational arrangements adopted by the Hauck & Aufhäuser Management Company for the identification, prevention, resolution and monitoring of conflicts of interest are not sufficient to reasonably ensure that the risk of harming the interests of investors or funds is avoided, the investors concerned will be informed thereof. Further information is available from the Hauck & Aufhäuser Management Company free of charge on request.

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