

**CONFLICTS OF INTEREST**



Review Date: 01/12/2022

Written by:

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**Reviewed by;**

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<b>Policy application date</b>	01/12/2022	<b>Approval date</b>	21/12/2022	Version 2
<b>Next revision date</b>	2023 Q4	<b>Distribution</b>	all employees	

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## 1. Background

**MC Square S.A.** (“MC Square” or the “Company”) is a public limited company governed by the laws of the Grand-Duchy of Luxembourg, with a share capital of EUR 500,000. It is registered with the *Registre de Commerce et des Sociétés de Luxembourg* under number B28949, with its registered office at 94, rue du Kiem, L-1857 Luxembourg.

The Company is licensed by the CSSF as a Management Company under the regime set out in Chapter 15 of the Law of December 17th, 2010 on undertakings for collective investment. Accordingly, the Company is what is commonly known as a ‘UCITS management company’.

Since November 11th, 2016, the Company is also licensed by the CSSF as an Alternative Investment Fund Manager (“AIFM”) as per the provisions of the July 12th, 2013 Law on alternative investment fund managers.

## 2. Purpose

The purpose of this Conflicts of Interest Policy is:

- To identify by reference to the specific services and activities carried out by (or on behalf of) MC Square potential and existing conflicts of interest entailing a risk of damage to the interests of the funds managed by MC Square or its shareholders;
- To specify procedures to be followed and measures to be adopted in order to manage such conflicts in an independent manner; and
- To communicate this information to all employees at MC Square.

## 3. Legal and regulatory framework

This Policy is designed with a view to comply with the requirements set out in:

- Commission Delegated Regulation 231/2013 of December 19th, 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to the exemption, general operating conditions, depositaries, leverage, transparency and supervision;

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- Law of 12 July 2013 on alternative investment fund managers – transposing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;
- Law of 10 December 2010 on undertakings for collective investment – transposing Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast); amending – the Law of 20 December 2002 relating to undertakings for collective investment, as amended; the Law of 13 February 2007 relating to specialised investment funds, as amended; Article 156 of the Law of 4 December 1967 on income tax;
- The CSSF Regulation Nr 10-4 of December 20th, 2010, transposing Commission Directive 2010/43/EU of July 1st, 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council, as regards organizational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a Depositary and a Management Company; and
- The CSSF Circular 18/698 of August 23rd, 2018 relating to the authorisation and organisation of investment fund managers incorporated under Luxembourg law and providing specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent.

#### **4. Independence of the management of conflicts of interest**

MC Square has appointed a Compliance Officer, who is responsible as an independent position for active management of conflicts of interest. The Compliance Officer assists in the process of management but it is each employee responsibility to manage conflicts.

Active management of conflicts of interest is understood to mean in particular the following tasks:

- Identification of actual and potential conflicts of interest;
- Mitigating conflicts of interest;
- Resolution of conflicts of interest;

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- Maintenance of a conflicts of interest register;
- Initiating the disclosure of unresolved conflicts of interest;
- Monitoring of conflicts of interest for outsourced activities, delegated activities and the depositary banks;
- Regular reporting to the Board of Directors; and
- Disclosure to investors when the undertaken organisational and administrative measures have not been sufficient to prevent the damage to the investors' interest.
  
- Where Mc square's Members are subject to or made aware of a potential COI or a ascertained COI, Mc square's Members shall advise the Board of Directors of the Company immediately
- In addition, prior to starting any meeting of the Board of Directors, the Chairman of the Board of Directors shall ensure that all attendees declare whether or not they are subject to a (potential) COI based on the agenda of the meeting. This point shall be included in the minutes of the meeting, as well as the mitigation action taken.
- The Members concerned shall not participate in any action or decision-making causing the COI

## 5. Identification of conflicts of interest

Article 109(1)(b) of the Law of December 17th, 2010 concerning Undertakings for Collective Investment and article 13(1) of the law of July 12th, 2013 on AIFM require MC Square to take all reasonable steps to identify conflicts of interest between:

- MC Square (including its managers, employees or any person directly or indirectly linked to MC Square by control and the fund managed by MC Square or the investors in that fund) and its clients;
- A fund or the investors in this fund and another fund or the investors in that other fund;
- A fund or the investors in this fund and another client of MC Square;
- An AIF or the investors in that AIF and a UCITS managed by the MC Square or the investors in that UCITS;
- Between two of its clients;

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- Between one of its clients and a fund; or
- Between two fund.

For the purposes of identifying the types of conflicts of interest that arise in the course of providing services and activities and whose existence may damage the interests of funds managed by MC Square, MC Square shall take into account, by way of minimum criteria, the question of whether the it or a relevant person, or a person directly or indirectly linked to it by way of control, is in any of the following situations, whether as a result of providing collective portfolio management activities or otherwise:

- MC Square or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the funds;
- MC Square or that person has an interest in the outcome of a service or an activity provided to the funds or another client or of a transaction carried out on behalf of the funds or another client, which is distinct from the funds interest in that outcome;
- MC Square or that person has a financial or other incentive to favour the interests of another client or group of clients over the interests of the funds;
- MC Square or that person carries on the same activities for the funds and for another client or clients which are not funds;
- MC Square or that person receives or will receive from a person other than the fund an inducement in relation to 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.

MC Square, when identifying the types of conflicts of interest, shall take into account:

- Its interests, including those deriving from the performance of services and activities, the interests of the clients and its duty towards the funds;
- The interests of two or more managed funds;
- The relationship with the depositary bank;
- The delegation of the fund management to a third party( when applicable);
- The use of prime broker services (when applicable).

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## 6. Handling of conflicts of interest

MC Square shall take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, to identify, manage and monitor and, where appropriate, disclose, these conflicts of interest in order to prevent them from adversely affecting the interests of the funds and their investors and to ensure that the funds it managed are treated fairly.

Article 20(2) of CSSF Regulation 10-04, requires MC Square to adopt procedures and measures which shall ensure the requisite degree of independence of MC Square. Procedures and measures shall include the following:

- Effective procedures to prevent or control the exchange of information between relevant persons engaged in collective portfolio management activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- The separate supervision of relevant persons whose principal functions involve carrying out collective portfolio management activities on behalf of, or providing services to, clients or to investors whose interests may conflict, or who otherwise represent different interests that may conflict, including those of MC Square;
- 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 interest may arise in relation to those activities;
- 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;
- Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate collective portfolio management activities where such involvement may impair the proper management of conflicts of interest.

MC Square has implemented the following measures to manage the conflicts of interest:

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- The conflict of interest shall be communicated by the person who identifies it to the Compliance Officer and to the conducting officer in charge of the oversight of the Compliance function; the conflict of interest must then be registered by the Compliance Officer in the conflicts of interest register;
- The Compliance Officer and the Conducting Officer in charge of the oversight of the Compliance function shall propose to the management committee a solution which fosters the interests of the shareholders of the fund managed by MC Square;
- The management committee shall afterwards propose any corrective measures which would prevent, as far as possible, the upcoming of similar new conflicts of interest; the management committee shall ensure the good application of these corrective measures;
- MC Square has implemented the segregation of duties and activities requirement. The principle of segregation of duties and activities is reflected in the Company's organizational chart, procedures, reporting lines and internal controls.

Where the adoption or the practice of one or more of those measures and procedures does not ensure the requisite degree of independence, MC Square shall adopt such alternative or additional measures and procedures as will be necessary and appropriate for those purposes.

The CSSF is entitled to request a copy of these written procedures at any moment.

## **7. Conflicts of interest register**

MC Square shall keep and regularly update a record of the types activities undertaken by or on behalf of it in which a conflict of interest entailing a material risk of damage to the interests of one or more funds or other clients has arisen or, in the case of an ongoing collective portfolio management activity, may arise.

A register of potential or/and identified conflicts of interest (Appendix 1 hereto) is kept under the responsibility of the Compliance Officer.

MC Square must identify potential conflict of interest that exists in its business in order to adopt mitigation measures to monitor, manage and control the realization of those conflicts. Potential



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conflicts of interest may arise through the interaction of the different capacities in which MC Square of the entities to which it delegated certain activities act.

The Compliance Officer of the Company shall also provide a copy of the register of conflicts of interest to the CSSF upon request. In the case where no potential or actual COI has arisen during the year under consideration, the Compliance Officer shall provide such information to the CSSF in the form of a "nil report

The following main interests/roles that potentially may give rise to conflicts of interest were identified:

### **7.1. Potential conflicts of interest concerning the collective portfolio management activity of funds**

- In case of issue, private placement, listing on stock exchange, etc.... relating to securities held in the portfolio of funds managed by MC Square and creating shortage, allocation with priority of these securities to one or more persons linked to MC Square at the expense of a Fund managed by MC Square;
- In case of issue, private placement, listing on stock exchange, etc... relating to securities held in the portfolio of funds managed by MC Square and creating shortage, unfair treatment of sub-funds of MC Square in terms of allocation;
- Investment on behalf of a fund managed by MC Square in non-listed securities, i.e. those issued by a distributor of the funds, a shareholder, MC Square on its own behalf, any other company, in which a person having a direct or indirect participation linked to MC Square owns a significant participation.

### **7.2. Potential conflicts of interest concerning direct or indirect remunerations paid to MC Square:**

- Incentive for the benefit of portfolio managers to apply a high turnover rate of the portfolio which is not justified, with the only purpose to increase transaction fees;
- Unjustified risk taking in the investments or divestments with the sole purpose to seek for a substantial increase of the management fees.

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**7.3. Potential conflicts of interest implying a lack of organization or a weakness in the procedures in place at the level of MC Square governing the oversight over the portfolio managers:**

- Remuneration structure of the portfolio managers' employees taking into account the profits generated by the transactions initiated on behalf of their clients, including the funds managed by MC Square.

**7.4. Potential conflicts of interest in relation to operations on behalf of MC Square or to personal transactions of any person directly or indirectly linked to MC Square:**

- Operations on behalf of MC Square that would come into conflict with the ones realized on behalf of a fund managed by MC Square, causing a prejudice to the fund given the price fluctuations triggered by these operations.

**7.5. Potential conflicts of interest in relation with the activities of counterparties intervening on investment or divestment orders linked to securities held in portfolio:**

- Taking into account in choosing those counterparties of economic and financial relations with MC Square, or of personal relations of familiar links of portfolio managers with the employees or management of these counterparties.

**7.6. Potential conflicts of interest linked to privileged relationships of MC Square or of persons directly or indirectly linked to issuers of securities held in portfolio or distributors:**

- Privileged treatment of a distributor as regards information on positions and decisions taken on behalf of a fund managed by MC Square.

**7.7. Potential conflicts of interest in relation with the depositary and the delegates**

- Potential non-compliance of the depositary and the delegates conflicts of interest policy with MC Square Conflicts of Interest Policy.

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## 7.8. Gifts and benefits

### Acceptance of gifts and benefits by the persons directly or indirectly linked to MC Square

As a rule, gifts and benefits cannot be accepted by the persons directly or indirectly linked to MC Square if the interests of MC Square are impacted or if the professional independence of these persons could be compromised.

Gifts and benefits can be accepted only under the following conditions:

- Invitations to business lunches or dinners can be accepted if they do not alter the professional independence of these persons;
- Invitations to non-professional events (e.g. concert, theatre, etc....) can be accepted if the following rules apply:
  - o The person directly or indirectly linked to MC Square must verify that his/her attendance is in line with industry practice;
  - o The host is present;
  - o This participation is not recurring; and
  - o Travel and hotel fees are not borne by the host.

In order to allow the control of these conditions, the invitations for lunch or dinner are registered in the agenda of the persons directly or indirectly linked. The other invitations and gifts are sent only to the business address of the beneficiary and are declared on an ongoing basis to the Compliance Officer.

### Gifts and benefits granted by MC Square

The allowance of gifts or of other benefits or invitations to non-professional events can be, to a certain extent, in line with the industry and be an acceptable way of entertaining a client relationship. However, these activities can give rise to conflicts of interest and threaten e.g. the independence of distributors, counterparties or shareholders. Hence, the following rules apply:

- No advantage or invitation to a non-professional event must be given with the intention to obtain unjustified commercial advantages, neither should it lead to a conflict of interest;

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- No advantage or invitation shall breach the ethical rules to which the beneficiary is subject, or shall breach the market practice; and
- Before making a gift or giving an invitation, each person directly or indirectly linked to MC Square shall keep abreast of these rules.

The granting of any of these advantages must be fully transparent, meaning that:

- Gifts and invitations are only sent to the business addresses of the beneficiary;
- The Compliance Officer must be kept informed of any invitation to any non-professional event.

## 7.9. Employees

The employees of MC Square commit themselves, not to conduct an activity which is similar to the one they have within MC Square.

Any person directly or indirectly linked to MC Square declares to the Compliance Officer:

- All external activities (corporate mandate,...) potentially conflicting with the activities of MC Square;
- All remuneration of benefit received for public intervention, conferences or publications in the context of its professional activity;
- All substantial financial participation or interest in a company, which could potentially give rise to a conflict of interest.

The person directly or indirectly linked to MC Square will inform the Compliance Officer of any modification which should be brought to his/her declarations.

## 8. Disclosure to investors

Where the organisational or administrative arrangements made by MC Square for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of funds or of its unitholders will be prevented, MC Square's Conducting officers are promptly

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informed in order for them to take any necessary decision to ensure that in any case MC Square acts in the best interests of the funds it managed and of its unitholders.

MC Square shall report situations referred to the paragraph above to investors by any appropriate durable medium and give reasons for its decision. MC Square, in the capacity of the AIFM, may report such situations by means of a website.

### 9. Policy owner and date of implementation

The Compliance Officer of the Company has been formally appointed as the owner of this Policy, which is effective as from 18 October 2019.

Any amendments to this Policy may be made by the Compliance function and Conducting Officers and must be duly approved by the Board of Directors of the Company. Any waiver to this Policy may be made by the Board of Directors of the Company, the Conducting Officers and the Compliance function and must promptly be disclosed to the Employees.

Luxembourg - 21/12/2022



Andre Lecoq  
Conducting Officer



Alexandre Hecklen  
Conducting Officer



Diego Ofano  
Compliance Officer