

CONFLICTS OF INTEREST POLICY

1. Introduction

According to the provisions of the Alternative Investment Fund Managers Law of 2013 to 2021 (the “Law”), SPA Financial Services Ltd (the “Company”) is required to establish, implement and maintain an effective conflicts of interest policy (the “Policy”) designed to prevent conflicts of interest. The Policy must be set out in writing and be appropriate to the size and organisation of the Company and the nature, scale and complexity of its business.

2. Aim of the Policy

The Policy aims to identify and prevent or manage conflicts of interest between the Company, including its managers, employees or any person directly or indirectly linked to them by control, and its clients or between one client and another, or combinations thereof, including those caused by the receipt of inducements from third parties or by the Company’s own remuneration and other incentive structures.

Specifically, the Policy:

- a) Identifies, with reference to the specific investment services and activities carried out by or on behalf of the Company, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients; and
- b) Specifies the procedures to be followed and the measures to be adopted to prevent or manage such conflicts.

Conflicts of interest should be regulated only where an investment service or ancillary service is provided by the Company. The status of the client to whom the service is provided — as either retail, well-informed, professional, or eligible counterparty — is irrelevant for this purpose.

3. Identification of conflicts of interest

The Company will take all reasonable steps to identify conflicts of interest that arise in the course of managing AIFs:

- a) Between the Company, including its managers, employees or any person directly or indirectly linked to the Company by control, and the AIF managed by the Company or the investors in that AIF, or
- b) Between the AIF or the investors in that AIF, and another AIF or the investors in that AIF, or
- c) Between the AIF or the investors in that AIF, and another client of the Company, or
- d) Between the AIF or the investors in that AIF, or
- e) Between two clients of the Company.

The Company shall:

- i. Establish, maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to identify, prevent,

- manage and monitor conflicts of interest in order to prevent them from adversely affecting the interests of the AIFs and their investors, and
- ii. Segregate, within their own operating environment, tasks and responsibilities which may be regarded as incompatible with each other, or which may potentially generate systematic conflicts of interest. The Company shall assess whether their operating conditions may involve any other material conflicts of interest and disclose them to the investors of the AIFs, and
 - iii. Assess whether their operating conditions may involve any other material conflicts of interest and disclose them to the investors of the AIFs.

Where organisational and internal administrative arrangements of paragraph (i) above are not sufficient to ensure, with reasonable confidence, that risks of damage to investors interests will be prevented, the Company shall clearly disclose the general nature or sources of conflicts of interest to the investors before undertaking business on their behalf and develop appropriate policies and procedures to overcome those conflicts of interests.

For the purpose of identifying the types of conflicts of interest that may arise, the Company shall take into account whether itself or a Relevant Person* or a person directly or indirectly linked by control to the Company, may in the course of providing Investment and Ancillary Services or a combination thereof:

- a) Is likely to make a financial gain or avoid a financial loss at the expense of the client,
- b) Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome,
- c) Has a financial or other incentive to favour the interests of another client or group of clients over the interests of the client,
- d) Carries on the same business as the client,
- e) Receives or will receive from a person other than the client, an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

**Relevant Person(s) means the persons who can have a material impact on the service provided and/or corporate behaviour of the Firm, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of their clients. This includes persons who oversee the sales force (such as line managers) who may be incentivised to pressurise sales staff, or financial analysts whose literature may be used by sales staff to induce clients to make investment decisions. Persons involved in complaints handling, claims processing, client retention and in product design and development are other examples of 'relevant persons'. Relevant Persons also include tied agents of the Firm.*

Specifically, given the Company's current business model, the following conflicts of interest have been identified:

- A. Personal Account Dealing,
- B. Inside and Proprietary Information,

- C. Personal Gifts,
- D. Cross Holdings,
- E. Selection of Service Providers,
- F. Outside Affiliations,
- G. Remuneration of Staff,
- H. Expenses charged to the AIFs,
- I. Risk management of client portfolios,
- J. Liquidity management of funds,
- K. Access to electronic data, and
- L. Supervision and segregation of departments.

In respect of these conflicts, the Company maintains and operates procedures with a view to taking all appropriate steps to prevent conflicts of interest from constituting or giving rise to material risk of damage to the interests of the Company's clients.

No conflicts of interest arise in terms of sustainability risks.

4. Management and prevention of conflicts of interest

Senior management is responsible for ensuring that the Company identifies, prevents and manages its conflicts of interest. In managing the Company's conflicts of interest, senior management will:

- a) ensure that all staff are aware of the critical importance of the Policy in carrying out the Company's business, and the need to report any perceived conflict of interest promptly,
- b) review any actual or potential conflict of interest as soon as it is identified and identify appropriate steps to manage the conflict as necessary; these steps shall have the aim of preventing the risks of damage to the interests of a client,
- c) communicate to all relevant staff the procedures to be followed in order to manage the conflict of interest, and
- d) document the conflict of interest and the measures undertaken in the Policy.

Moreover, the Company ensures that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence. The procedures to be followed and measures to be adopted that are necessary for the firm to ensure the requisite degree of independence include the following:

- a) an effective security policy with various access levels to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients,
- b) the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the firm,
- 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 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 person carries out investment or ancillary services or activities, and
 - e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

Based on the conflicts identified in Section 3 of this Policy, the Company applies the following measures to prevent such conflicts from arising:

A. Personal account dealing:

The Company has implemented a personal account dealing policy, with which staff, and related persons under their control, must comply. At the commencement of their functions, members of staff are required to commit to comply with this policy.

All transactions in financial instruments by staff and Relevant Persons must be reported to the Compliance Officer promptly. These transactions must include precise dates and timings and any authorization or prohibition in connection with such a transaction.

B. Inside and proprietary information:

Staff members, who, in pursuit of the Company's business activities, possess inside or proprietary information must preserve its confidentiality and disclose it only to other staff who have a valid business reason for receiving it. Members of staff who believe they have received inside information from any source must immediately contact the Compliance Officer. The Company and its staff members cannot use or further disclose the information where it has been received.

Additionally, the Company has established "Chinese walls" to prevent or control the exchange of information between Relevant Persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients. Specifically, the Chinese walls have been established between the following departments/functions:

- Portfolio management,
- Risk Management,
- Brokerage,
- Investment Advice.

C. Personal gifts:

The Company operates a personal gifts policy, which is applicable to benefits or inducements to staff which might be seen as conflicting with their duties to the Company or to any of the Company's clients. To address conflicts of interest that may arise when a member of staff

accepts a gift, the Company applies a general rule that always any such gifts cannot exceed the amount of EUR100.

D. Cross holdings:

Where the Company or the AIFs it manages have holdings in other funds which in their turn invest in the Company's AIFs, any such cross holdings are noted at the time of investment and are reviewed periodically by the compliance officer. In addition, the Company neither grants nor receives any preferential terms.

E. Selection of service providers:

In the event of any personal relationship between the Company and the third party, or a person connected to them, the Company takes this into account and considers potential conflicts or the appearance of conflicts in making its selection. As far as possible, the connected party should refrain from being involved in the actual decision-making process.

The Company prevents conflicts arising regarding the selection of a service provider by not accepting or providing fees, commissions and non-monetary benefits which do not directly enhance the service offered.

F. Outside affiliations:

No member of staff may serve as an officer or director for any business operation other than the Company or its affiliates without prior approval from an executive director. In providing this approval, the executive director will take into account any actual or potential conflict.

G. Remuneration of staff:

Staff remuneration is carefully considered to ensure that conflicts do not inadvertently arise through targets that inappropriately incentivise staff members to behave in a manner that disadvantages the interests of clients in favour of the Company.

As a policy, the remuneration of staff members is fixed and none of the Company's employees and/or Directors can be remunerated based on the successful promotion of certain products or financial instruments over others.

H. Expenses charged to the AIFs

The Company has a fiduciary duty to ensure that the AIFs it manages and therefore the investors in these AIFs are not charged undue costs. A conflict of interest arises where the Company could charge to the AIFs certain fees and expenses arising in relation to it that do not directly benefit the AIF and/or its investors. The Company's policy is:

1. To make adequate disclosure in the offering documents of the AIFs in relation to the nature of fees and expenses charged to the AIFs, and

2. Not to charge the AIFs any fees and expenses that do not directly benefit the AIFs and their investors and to pay for such costs itself. Expenses charged to the AIFs are authorised by the board of each AIF.

I. Risk management of client portfolios:

There is a risk that in seeking to maximize achieved investment returns for the client accounts which they manage, portfolio managers may exceed the risk tolerance levels or stated objectives of the client (such as those set out in the prospectus of the AIFs that the Company manages), resulting in overconcentration in a single issuer or sector, or in illiquid assets, or the excessive use of leverage.

The Company has implemented a strong, documented and clear risk management framework. Decisions taken by the risk management function are based on reliable data, generated by means other than the portfolio management function. The CEO is responsible for ensuring the integrity of this data and of the risk management framework, which is subject to supervision by the Company's Board independently from the portfolio management function.

J. Liquidity management of funds:

In relation to any AIFs that the Company manages, a conflict of interest might arise between the Company's incentive to seek returns through investment in illiquid or potentially illiquid assets and the need to maintain adequate levels of liquidity in relation to the redemption policy of the Funds that it manages. A conflict of interest may result in relation to those investors wishing to redeem their investments and those investors remaining in the fund, where there is a risk that the Company has to sell a greater proportion of the fund's liquid assets in order to meet redeeming investors' requirements than it would otherwise sell in the exercise of prudent investment management, with the result that remaining investors will hold a higher proportion of illiquid or relatively illiquid assets; or that the Company will execute sales of illiquid assets at discounted prices, thereby reducing returns for all investors.

The policy of the Company is to ensure that for each fund that it manages, the liquidity profile of the fund remains consistent with its redemption policy. The Company maintains a permanent risk management function that is independent from its investment management function and monitors the liquidity of each fund on a monthly basis against their redemption policy. The Company's Board is notified in a timely manner, whenever a liquidity mismatch arises that could result in damage to the interests of the fund or its investors.

K. Access to electronic data:

The Company has a security policy in place, which governs the access to electronic data so that the persons engaged in each department do not have a direct physical access to records and information concerning the subject matter of another department and which are not considered necessary for the execution of specific work. Specifically, separate permissions and access rights are provided for the various departments.

L. Supervision and segregation of departments

The Company maintains separate supervision and segregation of departments / functions which provide services to clients, whose interests may conflict with those of other clients or with the interests of the Company.

5. Disclosures

In the case where the Company's organisational arrangements to prevent conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, the Company a measure of last resort shall clearly disclose to the client the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks before undertaking business on its behalf. Such disclosure shall:

- a) be made in a durable medium, and
- b) include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

The disclosure shall clearly state that the organisational and administrative arrangements established by the investment firm to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented.

The disclosure must also include specific description of the conflicts of interest that arise in the provision of investment and/or ancillary services, taking into account the nature of the client to whom the disclosure is being made. The description shall explain the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail to enable that client to take an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.

6. Record keeping

The Company shall maintain and regularly update a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of the Company 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 ongoing service or activity, may arise.

The record will be kept by the Compliance Officer at the usual place of business. Any actions must be recorded and reported to the Board of Directors without any delay.

The Board shall receive on a frequent basis, and at least annually, written reports on cases of services or activities giving rise to detrimental conflict of interest.

7. Updating and review of the Policy

At least on an annual basis, the Company shall assess and review its Policy, and shall take all appropriate measures to address any deficiencies. The Company should avoid over-reliance on disclosure of conflicts of interest since it is considered a deficiency in the Company's overall conflicts of interest policy.