



VICTORY ASSET MANAGEMENT S.A.

MiFID POLICY

Manual of Procedures – Chapter XXIII	
MiFID Policy	
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Victory Asset Management is a public limited company incorporated from October 5th, 2006 and governed by the laws of the Grand Duchy of Luxembourg.

Victory Asset Management S.A. is supervised by the *Commission de Surveillance du Secteur Financier* (“CSSF”) as a management company governed by chapter 15 of the law of 17 December 2010 relating to Undertakings for Collective Investments, and of the law of 12 July 2013 on Alternative Investment Fund Managers.

Two undertakings for collective investment are under the management of Victory Asset Management S.A.: BOLUX S.A. which is a SICAV « part I » has a European passport, and ELEUSIS which is a SICAV « part II ». Since September 2018, Victory Asset Management S.A. also manages a restricted alternative investment funds which is “Lucelen AIF”.

Moreover, in accordance with the article 101 of the Law of December 17th, 2010, Victory Asset Management S.A. provides individual and discretionary portfolio management services, as well as investment advisory services to private customers (relating to one or several investment products listed in section B of the Annex II of the amended Law of April 5th, 1993). As a consequence, Victory Asset Management S.A. is also considered as an investment firm under the law of April 5th, 1993 relating to the financial sector (Art. 24 and Art. 24-3).

Victory Asset Management S.A. is referred in this policy as the “Company”.

1. Introduction

According to the article 560 of the CSSF Circular 18/698, the Company shall comply with the following requirements: “The CSSF would like to clarify that certain provisions of the MiFID II Regulation are applicable to the Investment Fund Manager providing discretionary management services. Consequently, articles 1-1, 37-1 and 37-3 of the Law on Financial Sector, articles 1.1 and 65 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, as well as Article 1 of the Grand-Ducal Regulation of 30 May 2018 on the protection of clients' financial instruments and funds, product governance obligations and rules governing the granting or receipt of fees, commissions or any other monetary or non-monetary benefit shall apply *mutatis mutandis* to the provision of discretionary management services by an IFM.”

As a consequence, this Policy is designed with a view to comply with the requirements set out in:

- (i) The Law of 5 April 1993 on the financial sector, as amended;

- (ii) The Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“MiFID II”);
- (iii) The Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (“MiFIR”);
- (iv) The Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
- (v) The Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) relating to MiFID II;
- (vi) The ESMA Guidelines relating to MiFID II;
- (vii) The Law of 30 May 2018 on markets in financial instruments;
- (viii) The Grand-Ducal Regulation of 30 May 2018 on the protection of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;
- (ix) The CSSF Circular 07/307 of 31 July 2007, as amended by Circulars CSSF 13/560, CSSF 13/568 and CSSF 14/585, on the conduct of business rules under MiFID in the financial sector;
- (x) The CSSF Circular 17/665 of 31 July 2017 regarding the ESMA Guidelines for the assessment of knowledge and competence for staff giving information about investment products, investment services or ancillary services;
- (xi) The CSSF Circular 17/674 of 30 November 2017 regarding the ESMA Guidelines on transaction reporting and order record keeping pursuant to Regulation (EU) No 600/2014 on markets in financial instruments (“MiFIR”) and clock synchronization pursuant to Directive 2014/65/EU on markets in financial instruments (MiFID II) and details on transaction reporting on financial instruments under MiFIR;

Altogether referred as “MiFID Regulations”.

This policy applies to all staff members of the Company, to the members of its Authorized Management and its Tied Agents.

This Policy shall be read in accordance with the principles set out in:

- the Internal Governance Policy,
- the Personal Transactions and Market Abuse Policy,
- the Conflicts of Interest Policy,
- the Voting Rights Policy,
- the Outsourcing Policy,
- the Confidentiality Policy, and
- the Business Continuity Plan of the Company.

2. **MiFID II Objectives** (CSSF Press Release 17/47)

MiFID II, MiFIR and the related legal instruments adopted at the level of the European Union put into place a new framework that strengthens regulation of trading activities on financial markets and enhances investor protection. The new framework replaces the existing framework that was established by MiFID I (Directive 2004/39/EC) [...].

One of the distinctive features of the new framework is a more detailed and sometimes more stringent regulation of the existing rules and obligations.

- MiFID II/MiFIR reinforces investor protection by introducing more stringent organizational requirement regarding client asset protection or product governance, while also strengthening the role of management bodies. The new regime also provides for reinforced conduct rules such as an extended scope for the appropriateness tests and reinforced information to clients. Independent advice is clearly distinguished from non-independent advice and limitations are imposed on the receipt of commissions (inducements).
- MiFID II/MiFIR introduces a market structure framework which enhances transparency, notably by closing loopholes and ensuring that trading, wherever appropriate, takes place on regulated platforms. To this end, it subjects shares and non-equity instruments to a trading obligation. It further introduces a new multilateral trading venue, the Organized Trading Facility (OTF), for non-equity instruments to trade on organized multilateral trading platforms.
- MiFID II/MiFIR introduces trading controls for algorithmic trading activities. These safeguards include the requirement for all algorithmic traders to be properly regulated and to provide liquidity when pursuing a market-making strategy.
- MiFID II/MiFIR provides for strengthened supervisory powers and a harmonized position-limits regime for commodity derivatives to improve transparency, support orderly pricing and prevent market abuse for these instruments.

The Company and its employees shall understand the financial instruments they offer or recommend, assess the compatibility of financial instruments with the needs of the clients to whom they provide investment services, taking into account in particular the defined

target market for end clients, and ensure that financial instruments are offered or recommended only when it is in the client's interest.

3. Responsibilities regarding MiFID obligations

MiFID II reinforces the role and the responsibilities of the Directors and Conducting Officers of the Company, in terms of minimum of knowledge, experience, skills and dedicated time. The new requirements imposed by the MiFID Regulations were taken into consideration in the latest version of the Internal Governance Policy of the Company.

The Chief Compliance Officer, acting as second line of defence shall review the completeness and appropriateness of the recorded documentation and information in order to ensure that all the MiFID II/MiFIR obligations have been appropriately considered. On an annual basis, the Chief Compliance Officer shall report in writing to the Authorized Management and the Board of Directors the results of his risk analysis and compliance-monitoring plan in accordance with MiFID Regulations. This report shall include the follow-up of previous recommendations, problems, shortcomings and irregularities identified in the past as well as new items. Each report specifies the risk related to as well as their seriousness and proposes corrective measures, as well as in general the position of the persons concerned. Ad hoc reporting shall occur as relevant. Furthermore, the Chief Compliance Officer is in charge of the awareness and training program concerning the employees of the Company.

Operating as third line of defence, the Internal Audit shall review and evaluate, on an annual basis, this Policy in order to ascertain whether the internal procedures and controls relating to MiFID II/MiFIR are adequate and in line with the currently applicable MiFID Regulations. Findings and observations of the Internal Auditor shall be reported to the Board of Directors and to Authorized Management. The Board of Directors shall monitor that the Authorized Management addressed internal audit recommendation in an appropriate and timely manner. The follow-up actions shall be included in the subsequent internal audit report.

The names of the person in charge of the questions relating to the protection of the assets of the clients, and the member of the Authorized Management in charge of the monitoring of the implementation of the provisions of the European Securities and Markets Authority ("ESMA") guidelines on the assessment of knowledge and skills of the staff members have been communicated to the CSSF as required by the Grand-Ducal Regulation of 30 May 2018 and by the CSSF Circular 17/665.

The members of the Authorized Management of the Company are collectively responsible for the application by all the staff of the principles and obligations laid down in this Policy.

4. Product Validation Process (identification of the target market)

The Company shall understand the financial instruments which are offered or recommended to its clients. For this purpose, the Company shall assess the compatibility of the financial instruments with the needs of the clients, also taking account of the identified target market of end clients, and ensure that financial instruments are offered or recommended only when this is in the interest of the client.

When manufacturing financial instruments for sale to clients, the Company shall ensure that (i) those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients, (ii) the strategy for distribution of the financial instruments is compatible with the identified target market, and (iii) reasonable steps are taken in order to ensure that the financial instrument is distributed to the identified target market.

4.1. Identification of the target market

For each financial instrument, the Company shall define through a product validation process a target market of end customers within the relevant customer category. It shall also ensure that all relevant risks for the defined target market are assessed.

The definition of this target market shall include the following criterion:

- The MiFID category of clients (as categorized in section 8 of this Policy);
- The level of knowledge and experience of the targeted clients;
- The expected financial situation and the ability to support losses;
- The risk tolerance or profile and the compatibility of the risk/retribution profile with the target market;
- The investment objective and specific needs of the client.

For this purpose, the European working group defined by ESMA has created a specific template, available in appendix 1. This form can be used for any financial instrument that the Company intends to add in its list of authorized investments in the scope of portfolio management and advisory services. Furthermore, the Company shall keep updated a list representing its universe of investment which shall include the details regarding the target markets for each financial instrument composing this list. A specific spreadsheet has been developed for this purpose in appendix 2.

4.2. Distribution

The Company shall ensure that the planned distribution strategy is appropriate, with a unique and clear strategy of distribution for each financial instrument manufactured by the Company, including the funds for which it ensures the fair, clear and not misleading information held in the prospectus and concerned KID/KIID.

4.2.1. Manufactured financial instruments

When manufacturing financial instruments for sale to its clients, the Company shall identify the target market and verify that the strategy of distribution is adequate in order to reach the identified target market.

The Company shall also make available to any distributor all appropriate information on the financial instrument and the product approval process, including the identified target market of the financial instrument.

As a consequence, for the distribution and commercialization of the Funds under its management, the Company shall make available to any distributor and client all relevant information on the financial instruments and the product validation process, including the defined target market for the financial instrument. This information shall be correct, clear and not misleading and any marketing communication shall be clearly identifiable as such: a specific mention shall be included on material supports and commercial intentions shall be understood for any potential client.

4.2.2. Non-manufactured financial instruments

Where the Company offers or recommends financial instruments which it does not manufacture, it shall have in place adequate arrangements to obtain the relevant information and to understand the characteristics and the description of the identified target market of the concerned financial instruments. This information includes all relevant information on the financial instrument and the product validation process, including the description of the defined target market.

4.3. Control of the target market

The Company shall take adequate measures to ensure that the financial instruments are distributed in the defined target market. For this purpose, the Company shall regularly review the financial instruments which are offered or marketed, taking into account any event that could have a material impact on the potential risk in the defined target market, in order to assess at least whether the financial instrument continues to meet the needs of the defined target market and whether the planned distribution strategy remains appropriate.

4.4. Specific principles

For investment advice and portfolio management services, the Company may use financial instruments for diversification and hedging purposes. In this context, the

financial instruments may be sold outside the target market if the portfolio as a whole or the combination of financial instruments is suitable for the client.

In some cases, acceptable differences between the identification of the target market and the individual eligibility of the client may occur if the recommendation or sale of the financial product meets the adequacy requirements made from a portfolio perspective and meets all applicable legal requirements.

Sales outside the positive target market can be not deferred or not reported if these sales are made for diversification or hedging purposes, and if they are still appropriate considering the total portfolio of the client or the risk hedged.

Finally, when holding funds or participations belonging to the clients, the Company shall take adequate measures to protect the rights of the concerned clients and to prevent the use of customer funds or participations for its own account. The principles protecting the rights of the clients are set out in the Voting Rights Policy of the Company.

5. Information to clients and potential clients

5.1. General principles

The Company shall provide adequate information to the existing and potential clients on:

- the Company and its services;
- the financial instruments and the proposed investment strategies; the Company shall inform on the inherent investment risks on these investment strategies and financial instruments, including the fact that the financial instruments are destined to retail or professional clients;
- the execution venues (systems or platforms);
- all costs and related charges for the investment and ancillary services, including:
 - o the cost of advice;
 - o the cost of financial instruments recommended or marketed to the client;
 - o any third party payments;
 - o the total of the costs if they are not caused by the occurrence of an underlying market risk;
 - o the way the client may pay these costs;

so that clients or potential clients are reasonably able to understand the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis.

Such information shall be provided to the client on a regular basis, at least annually, during the life of the investment.

5.2. Information on financial instruments and proposed investment strategy

For each financial instrument or investment strategy proposed to a client, the Company shall provide an appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies. The Company shall also mention whether the financial instrument is intended for retail or professional clients, taking account of the identified target market.

5.3. Information for investment advisory services

When investment advice is provided, the Company shall, in good time before it provides investment advice, inform the client:

1. whether or not the advice is provided on an independent basis;
2. whether the advice is based on a broad or on a more restricted analysis of different types of financial instruments and, in particular, whether the range is limited to financial instruments issued or provided by entities having close links with the Company or any other legal or economic relationships, such as contractual relationships, so close as to pose a risk of impairing the independent basis of the advice provided;
3. whether the Company will provide the client with a periodic assessment of the suitability of the financial instruments recommended to that client.

Furthermore, before any transaction, the Company shall provide to the retail client a physical statement of suitability specifying the advice provided and how it responds to the preferences, objectives and other characteristics of the client. When the mean of communication with the client does not allow the transmission of the statement of suitability before the transaction, the Company is authorized to transmit this document immediately after, provided that the Company has suggested the delay of the transaction and the client has agreed to receive the declaration ex post.

For independent investment advices, the Company shall evaluate a sufficient range of financial instruments available on the market, which shall be sufficiently diversified in terms of their type and issuers, or their suppliers, to ensure that the client's investment objectives can be adequately achieved. The financial instruments shall not be limited to financial instruments issued or provided by:

- a) the Company itself;

- b) entities having close links with the Company; or
- c) other entities with which the Company has such close legal or economic relations, such as contractual relations, that they present a risk of impairing the independence of the advice provided.

For the purpose of this section, the mandatory information relating to the investment services have been included in the suitability testing form available in Appendix 1. This document shall be completed by the Asset Managers and provided to the client when applicable (at the time of the investment advice or when the client requested this reporting in relation to his/her discretionary portfolio management services). In any case, the completed form shall be recorded in the file of the client and shall serve as a supporting evidence of best execution of the Company. The latter may be annexed to the annual report sent to the client.

5.4. Annual Report

On an annual basis, the Company shall provide the client in a durable medium with an Activity Report on the services provided.

The annual Activity Report shall include:

- The services provided during the year;
- An updated statement on how the investments meet the preferences, objectives and other characteristics of the retail client;
- The periodic communications to clients, depending on the type and complexity of the financial instruments involved and the nature of the service provided to clients;
- The costs associated with the transactions and services undertaken on behalf of the client and over the past period.

For all financial instruments subjects to the trading obligation, the Company shall ensure that the client is informed where the order was executed and that the client receives from each trading/execution venue periodic reports which include details about price, costs, speed and likelihood of execution for individual financial instruments.

5.5. Loss Report / Depreciation Report

The Company shall notify the clients when their portfolio depreciates by more than their capacity for loss. For this purpose, the Company shall notify each client when the overall value of his/her portfolio, relative to its value at the beginning of each reporting period, depreciates by 10% and multiples of 10% thereafter.

Furthermore, when the portfolio of a retail client includes positions in leveraged financial instruments or contingent liability transactions, the Company shall inform the

client where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%.

Reporting shall be on an instrument-by-instrument basis, unless otherwise agreed with the client, and shall take place no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day.

The Loss Report may be partially or entirely delegated to the depository bank in which the client account is held.

6. Obligation to execute orders on terms most favorable to the client

6.1. Reception of orders

- Before the provision of investment services, the Company shall notify new and existing clients that telephone communications or conversations between the investment firm and its clients that result or may result in transactions will be recorded.
- The content of relevant face-to-face conversations with a client may be recorded by using written minutes or notes. Such orders shall be considered equivalent to orders received by telephone.
- The Company shall refuse providing investment services when the communications is held on equipment which the Company is unable to record or copy.
- All those records shall be kept for a period of five years and provided to the concerned client upon request.

6.2. Execution

The Company shall take all sufficient steps to obtain, when executing orders, the best possible result for its clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, where there is a specific instruction from the client the Company shall execute the order following the specific instruction.

In order to ensure the best possible result for its clients, the Company shall implement a specific Order Execution Policy which explains how orders will be executed by the Company for the clients. This policy shall include, in respect of each class of financial instruments, information on the different venues where the Company executes its client

orders and the factors affecting the choice of execution venue. It shall at least include those venues that enable the Company to obtain on a consistent basis the best possible result for the execution of client orders. The clients shall be informed of this policy and of any material changes to the order execution arrangements or execution policy.

Furthermore, the Company shall implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders.

Where the Company executes an order on behalf of a retail client, the Company shall consider the price of the financial instrument and the costs relating to the execution, i.e. all the expenses incurred by the client which are directly relating to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

7. Tied Agents

A “Tied Agent” shall mean a natural or legal person who, under the full and unconditional responsibility of only one credit institution or investment firm on whose behalf it acts,

- promotes investment and ancillary services to clients and prospective clients, or
- canvasses clients or potential clients, or
- receives and transmits instructions or orders from the client in respect of investment services or financial instruments, or
- places financial instruments, or
- provides advice to clients or potential clients in respect of those financial instruments or services.

The Company shall also ensure that each of its Tied Agent complies with this Policy and with the same level of requirement imposed by the Company.

At the date of this Policy, the Company has not appointed any tied agent for the purposes of promoting the services of the Company.

8. Categorization of clients

MiFID Regulations stipulate that the Company, when entering into a relationship with a new client, shall classify the client into one of the following categories:

- Non-Professional clients
- Professional Clients
- Eligible Counterparties

When a private individual or a legal entity is accepted as a client by the Company, the client shall be classified into one of the three different categories described below. The categorization is based on the information and documentation that the Company receives from the client, or from any other available sources. All clients are to be classified in accordance with this Policy.

8.1. Non-professional clients

This category consists of clients who are not classified as professional clients or eligible counterparties. The typical non-professional client is a private individual or a small legal entity.

8.2. Professional clients

A professional client is a client who possesses sufficient experience, knowledge and expertise of the financial markets in order to make its own investment decisions and to properly assess the risks that it incurs.

In order to be considered as a professional client, the client shall fall within the following categories:

- (i) Entities which are required to be authorized or regulated to operate in the financial market, either from Member States or non-Member States, such as:
 - Credit institutions;
 - Investment Firms;
 - Other authorized or regulated financial institutions;
 - Insurance undertakings;
 - Collective investment schemes and management companies of such schemes;
 - Pension funds and management companies of such funds;
 - Commodity and commodity derivatives dealers;
 - Locals;
 - Other institutional investors.

- (ii) Large undertakings meeting two of the following size requirements, on a proportional basis:
 - Balance Sheet total of at least EUR 20,000,000. -
 - Net Turnover of at least EUR 40,000,000. -
 - Own Funds of at least EUR 2,000,000. -

- (iii) National and regional governments and public bodies.

- (iv) Other institutional investors whose main activity is to invest in financial instruments including entities dedicated to the securitization of assets or other financing transactions.
- (v) Some of the Company's clients, including but not limited to, legal entities of a certain size, banks or securities companies, may be categorized as professionals.

The categorization as Professional Client entails inter alia the following:

- The information which the Company is required to provide to a Professional Client on its investment services, as well as the relating costs and expenses, is less exhaustive than the information provided to Retail Clients;
- The information which the Company is required to provide to a Professional Client on the protection of the Clients' financial instruments is less exhaustive than the information provided to Retail Clients;
- When providing investment services, the Company may assume that a Professional Client has the necessary knowledge and experience for assessing the suitability of such services (and consequently of the related financial instruments);

It is noted that a professional client is allowed to request non-professional treatment and the Company may agree to provide a higher level of protection. In this respect, the Company shall notify its clients in a written form of their option to be classified as retail clients. The Company may proceed in this action in order to offer a standard level of protection to all of its clients.

8.3. Eligible Counterparties

This category applies to a qualified group of professional clients which operate in the financial sector and do not have the same need for client protection as the other categories. The following categories shall be considered as eligible counterparties:

- Investment firms;
- Credit institutions;
- Insurance companies;
- UCITS and their management companies;
- Pension funds and their management companies;
- Other financial institutions authorized or regulated under community or national law;
- Commodity and commodity derivative traders (dealing on own account);
- National governments and their corresponding offices including public bodies which manage public debt;
- Central Banks;
- Supranational organizations;
- Third country entities equivalent to the categories mentioned above.

When dealing with Eligible Counterparties, the Company is exempted from the application of Article 37-3 of the Law of 5 April 1993 (i.e. the provision related to conduct of business rules). In particular, the Company is not required to (i) provide detailed information on its investment services, as well as the relating costs and expenses, or on the protection of the client's financial instruments, (ii) nor to assess the client's knowledge and experience in relation to a specific product or service, nor the client's financial situation and investment objectives. The Company is further exempted from the application of Articles 37-5 (i.e. best execution) and 37-6(1) (i.e. client order handling rules) of the Law of 5 April 1993. However, given the fact that Eligible Counterparties are supposed to act as clients, the other relevant provisions of the MiFID Regulation remain applicable.

8.4. Categorization and re-categorization

The categorization and re-categorization processes are described in a specific MiFID Procedure relating to the evaluation of client's knowledge and experience, and to the MiFID categorization of clients (Chapter XXIV of the Manual of Procedures of the Company).

9. Adequacy tests

When providing investment services (investment advice or portfolio management), the Company shall obtain the necessary information regarding the client's or potential client's knowledge and experience in the investment field relevant to the specific type of product or service, that person's financial situation including his/her ability to bear losses, and his/her investment objectives including the risk tolerance. This information included in the Mandate signed with the client shall enable the Company to recommend the investment services and financial instruments that are suitable for the client, particularly, in accordance with his/her risk tolerance and ability to bear losses.

9.1. Suitability test

Based on the information collected on the client, the Company shall complete the suitability test available in Appendix 3 of this Policy before providing any investment services to the Client. This test shall not be immediately reported to the client except when providing investment advisory services or when a specific demand has been received from the client under discretionary portfolio management services.

Indeed, when providing investment advice, the Company shall, before the transaction is made, provide the client with a statement on suitability in a durable medium specifying the advice given and how that advice meets the preferences, objectives and other characteristics of the retail client.

When the proposed investment service or product concern a bundled offer, the Company shall assess whether the bundled offer as a whole is appropriate for the client.

9.2. Appropriateness test

In specific cases, when a retail or non-professional client requests on his/her own initiative the execution of a transaction on complex products, the Company shall perform an appropriateness test. The financial products are considered as complex when their level of risk is difficult for the client to understand or when the ex-post costs are not fully known. In such a case, the Company shall verify the level of knowledge and experience of the client before doing the “execution only” of the requested transaction.

9.3. Exemption of testing

The obligation of evaluation of knowledge and experience of clients is not mandatory when the services provided by the Company are limited to the reception, transmission or execution of client’s orders, provided that:

- the services relate to shares admitted to trading on a regulated market or in an equivalent third country market, bonds or other forms of securitized debt (excluding those bonds or securitized debt that embed a derivative), money market instruments, units of UCITS and other non-complex financial instruments;
- the service is provided at the initiative of the client or potential client;
- the client or potential client has been clearly informed that in the provision of this service the Company is not required to assess the suitability of the instrument or service provided or offered and that therefore the client does not benefit from the corresponding protection of the relevant conduct of business rules.

9.4. Alert of clients

In relation to the suitability and adequacy tests, the Company shall alert the existing or potential clients in the following situations:

- When the existing or potential client does not provide the requested information on his/her knowledge and experience, or when this information is insufficient, so that the Company is not able to determine whether the investment service or product is appropriate;
- Where the proposed product or service is not appropriate to the client or potential client;
- When the investment service or product provided to the client is not appropriate anymore.

9.5. Specific principles

Based on the suitability and appropriateness tests, the Company may accept the classification of a retail client in a higher risk profile, supposed that all the following conditions are met:

- The investment profile selected by the client is still coherent with his/her level of knowledge and experience;
- The client has been clearly informed of the consequences of his/her classification in a higher risk profile;
- Base on the financial situation of the client, the Company may consider that the level of investment in the portfolio represents a limited part of the entire wealth of the client. A threshold of maximum 25% of the total wealth of the retail client can be considered as acceptable by the Company.

10. Conflicts of Interest

In accordance with its Conflicts of Interest Policy, the Company shall take all reasonable steps to identify conflicts of interest between themselves, including their managers, employees and tied agents, or any person directly or indirectly linked to them by control and their clients or between one client and another that arise in the course of providing any investment and ancillary services, or combinations thereof.

When the organizational or administrative arrangements are not sufficient, the Company 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. This disclosure shall:

- Be made in a durable medium;
- Include sufficient detail 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 Company shall also identify any risk of impairing the independence of the provided advices.

11. Inducements

11.1. General principle

The clients shall always be informed prior to any investment or auxiliary services of the details relating to the remuneration paid or received by the Company. For this purpose, the existence, nature and amount of the payment or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, shall be clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service. Where applicable, the

Company shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service.

The level of remuneration received or paid by the Company shall always be proportional to the level of improvement of the service quality or to the addition of services for the client. Furthermore, this remuneration shall incite the Company to act in the best interest of its clients.

11.2. Receipt of inducement

When it provides portfolio management services or independent investment advices, the Company shall not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. However, minor non-monetary benefits that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the Company's duty to act in the best interest of the client shall be clearly disclosed and are excluded from this paragraph. The Company shall report in writing, at least annually, the list of such benefits to the Authorized Management and make it available to the concerned clients.

However, the receipt of inducements is allowed for the Company when (i) they relate to non-independent advisory services, auxiliary services or services of "execution only", and (ii) all the conditions listed in the following section ("Payment of inducements") are met.

Moreover, inducements do not concern any payment or benefit which is necessary for the provision of investment services, such as custody fees, exchange and settlement fees, regulatory fees and procedural costs, and which cannot by its nature conflict with the Company's obligation to act honestly, fairly and professionally in the best interests of its clients.

11.3. Payment of inducement

The Company can only pay a remuneration or commission to or by a third party or provide them with non-monetary benefits in connection with the provision of investment or ancillary services when all the following conditions are met:

1. The Company has verified that the payment or benefit is intended to improve the quality of the service concerned; and
2. The payment or benefit does not undermine the Company's obligation to act honestly, fairly and professionally in the best interests of its clients; and

3. The client is clearly informed of the details relating to the payment of inducements.

11.4. Research fees

The MiFID Regulation considers that the provision of research constitutes a form of inducement for the recipient. In order to avoid conflicts of interest, research fees charged to clients receiving discretionary portfolio management services shall not finance research used for the collective portfolio management of the Company.

All the fees relating to the research provided to the Company shall be separated from any other services charged to the company such as execution costs. In this way, the Company shall be able to properly inform the clients on the research fees:

- Ex-ante: The company shall inform the clients of the budget for research which was established between the Company and the client, and of the conditions for using this budget.
- Ex-post: The client shall be informed about the costs incurred, as well as the qualitative and quantitative aspects of the research acquired by the Company. At the client's request, the Company may provide information on the list of entities which provided research services, on the amount paid to them as well as the benefits and services received.

For the avoidance of inducement and conflict of interest relating to the payment of research services, the Company shall pay the research from its own resources. As a consequence, these fees shall not be re-invoiced and the company shall bear all the costs.

These principles mentioned here above apply to any type of research, whether on listed shares or other financial instruments such as bonds or derivatives.

12. Remuneration

When it provides investment services to clients, the Company shall ensure that it does not remunerate or assess the performance of its employees in a way that conflicts with its duty to act in the best interests of its clients. In particular, it shall not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail client when the Company could offer a different financial instrument which would better meet that client's needs. Moreover, in accordance with section 11 of this Policy, the Company shall also ensure that no inducement procures a personal benefit for the Company, its shareholders or employees without the provision of a substantial advantage or benefit for the concerned client.

These principles shall be verified in accordance with the Conflict of Interest Policy and Remuneration Policy of the Company.

13. Qualification of the staff

The Company shall ensure that its staff providing investment advices, information on financial instruments, investment services or ancillary services possess the necessary knowledge and competence to meet the requirements set out in the MiFID Regulation, to fulfil their obligations, and respect the business ethics standards.

As a consequence, the concerned staff shall:

- a. understand the characteristics, risk and features of the concerned investment products;
- b. have knowledge of valuation principles for the concerned type of investment products;
- c. understand the characteristics and scope of the investment services;
- d. understand the total amount of costs and charges to be incurred by the client;
- e. assess any relevant data such as KIIDs, prospectuses, financial statements or data;
- f. understand the difference between past and future performance scenarios, including the limits of predictive forecasting;
- g. understand the impact of financial markets on the value of the investment products;
- h. understand the impact of economic figures, national/regional/global events on markets and on the value of the investment products;
- i. understand specific market structures for the investment products and, where relevant, their trading venues or the existence of any secondary markets;
- j. understand the issues relating to market abuse and anti-money laundering.

Furthermore, the concerned staff shall:

- k. fulfil the obligations required by the Company in relation to the suitability requirements;
- l. understand how certain types of investment products may not be suitable for the client, having assessed the relevant information provided by the client against potential changes that may have occurred since the relevant information was gathered;
- m. understand the fundamentals of managing a portfolio, including being able to understand the implications of diversification regarding individual investment alternatives;
- n. demonstrate ability to:
 - ask appropriate questions to the client to understand her/his investment objectives, financial situation and knowledge and experience;
 - explain the risks and rewards of a particular product or strategy to the client;
 - compare selected products with regards to terms and risks, and select the product best suited to the client profile.

Finally, when the employee is a person exercising new functions or changing department, the Company shall verify the minimum knowledge and competence by making an

assessment internally, according to a formalized procedure that may be verified by the CSSF at a later stage, or by ensuring that the concerned person participated in an external professional education program certified by the CSSF.

The Compliance function shall assess and review compliance with these principles. This review shall be included in the Annual Compliance Report to the Authorized Management. In accordance with the CSSF Circular 17/665, M. Eric Sauzedde was designated as the member of the Authorized Management in charge of the implementation of the provisions relating to this section and the assessment of staff's knowledge and competence. Consequently, the Authorized Management shall take actions in order to sustain the staff members' development and answer their experience needs. The records concerning knowledge and competence of staff providing relevant services to clients shall be submitted to the CSSF, on request.

14. Record-keeping

The Company shall keep records of all services, activities and transactions undertaken by it which shall be sufficient to enable the CSSF to fulfil its supervisory tasks and to ascertain that the Company has complied with all obligations including those with respect to clients or potential clients and to the integrity of the market. These records shall include the documents signed with the client which set out the rights and obligations of the parties and any documentation relating to the services.

14.1. Communications relating to orders

The Company shall record the telephone conversations or electronic communications relating to, at least, transactions concluded when dealing on own account and the provision of client order services that relate to the reception, transmission and execution of client orders.

A receipt, transmission or execution of order cannot be executed if the client has not been informed of the recording of his/her conversation, and if the recording is not perfectly done.

Should another way of communication be used the Company shall ensure that it always record a proof of the client's order. As a result, relevant one-to-one conversations with a client can be recorded in writing in minutes or notes provided that customer has accepted the written minutes or notes.

Appendix 1

IDENTIFICATION DU MARCHÉ CIBLE	
Information générale sur l'instrument financier	
Identification (Code ISIN, Bloomberg, Reuters...)	
Code	
Nom	
Devise	
Date de référence	
UCITS, non-UCITS, produit/fonds structuré?	
Nom de l'émetteur	
Type d'investisseur	
<input type="checkbox"/> Non-professionnel <input type="checkbox"/> Professionnel <input type="checkbox"/> Eligible	
Connaissance et expérience	
<input type="checkbox"/> Basique : connaissance basique de l'IF et pas d'expérience de l'industrie financière requise <input type="checkbox"/> Informé : connaissance moyenne de l'IF et un peu d'expérience de l'industrie financière <input type="checkbox"/> Avancé : bonne connaissance de l'IF et des transactions, expérience de l'industrie financière ou encadrement par un conseiller en investissement/gestionnaire de portefeuille	
Capacité de subir des pertes	
<input type="checkbox"/> Aucune <input type="checkbox"/> Limitée : préservation du capital et acceptation de pertes limitées <input type="checkbox"/> Sans capital garanti : pas de protection et 100% du capital à risque <input type="checkbox"/> Perte au-delà du capital	
Objectifs et besoins du client	
<input type="checkbox"/> Profil conservateur <input type="checkbox"/> Profil équilibré <input type="checkbox"/> Profil dynamique <input type="checkbox"/> Profil agressif	
Horizon d'investissement	
Coûts ex-ante (fonds et produits structurés)	
Coût d'entrée (unique)	
Coût de sortie	
Frais de gestion	
Coûts récurrents	
Coût de transaction	
Coût d'incidence	
Coûts ex-post (fonds et produits structurés)	
Coûts récurrents	
Frais de gestion	
Coût de transaction	
Coût d'incidence	

Appendix 2

Instrument ou Titre				Type de portefeuille			Type d'investisseur			Connaissances et expériences			Exposition aux pertes				Niveau de risque					Conditions particulières (si applicable)	
Nom	Code	Devise	Date d'entrée	UCITS	AIF	Gestion & Conseil	Non-professionnel	Professionnel	Eligible	Basique	Informé	Avancé	Aucune	Limitée	100%	Au-delà du capital	Prudent	Conservateur	Equilibré	Dynamique	Agressif	Durée d'investissement ou date d'échéance	Investissement minimum
				<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<	<		

Appendix 3

FICHE D'ÉVALUATION DE L'ADÉQUATION DES SERVICES

Client : _____

Numéro de mandat : _____

<u>MARCHÉ CIBLE DE L'INSTRUMENT FINANCIER</u>	<u>TEST D'ADÉQUATION</u>
Type d'Investisseur ciblé	Type de Client
<input type="checkbox"/> Non-professionnel	<input type="checkbox"/> Non-professionnel
<input type="checkbox"/> Professionnel	<input type="checkbox"/> Professionnel
<input type="checkbox"/> Eligible	<input type="checkbox"/> Eligible
Connaissance et expérience requises	Connaissance et expérience du Client
<input type="checkbox"/> Basique	<input type="checkbox"/> Basique
<input type="checkbox"/> Informé	<input type="checkbox"/> Informé
<input type="checkbox"/> Avancé	<input type="checkbox"/> Avancé
Situation financière recommandée : (1) Capacité de subir des pertes	Situation financière du Client
<input type="checkbox"/> Aucune	<input type="checkbox"/> Aucune
<input type="checkbox"/> Limitée	<input type="checkbox"/> Limitée
<input type="checkbox"/> 100% du capital à risque	<input type="checkbox"/> 100% du capital à risque
<input type="checkbox"/> Perte au-delà du capital	<input type="checkbox"/> Perte au-delà du capital
(2) Investissement minimum requis	Montant investi par le Client
<input type="checkbox"/> Oui : montant EUR _____	<input type="checkbox"/> Investissement : EUR _____
Objectifs et besoins ciblés	Objectifs et besoins du client
<input type="checkbox"/> Profil conservateur	<input type="checkbox"/> Profil conservateur
<input type="checkbox"/> Profil dynamique	<input type="checkbox"/> Profil dynamique
<input type="checkbox"/> Profil croissance	<input type="checkbox"/> Profil croissance
<input type="checkbox"/> Profil agressif	<input type="checkbox"/> Profil agressif
<input type="checkbox"/> Horizon d'investissement limité : _____	<input type="checkbox"/> Horizon d'investissement : _____
Niveau de risque maximum	Aversion au risque du Client
<input type="checkbox"/> Faible	<input type="checkbox"/> Faible
<input type="checkbox"/> Moyen	<input type="checkbox"/> Moyen
<input type="checkbox"/> Elevé	<input type="checkbox"/> Elevé
Coûts ex-ante (fonds et produits structurés)	Acceptation ou information du Client
<input type="checkbox"/> Coût d'entrée (unique)	<input type="checkbox"/> Coût d'entrée (unique)
<input type="checkbox"/> Coût de sortie	<input type="checkbox"/> Coût de sortie
<input type="checkbox"/> Frais de gestion	<input type="checkbox"/> Frais de gestion
<input type="checkbox"/> Coûts récurrents	<input type="checkbox"/> Coûts récurrents
<input type="checkbox"/> Coût de transaction	<input type="checkbox"/> Coût de transaction
<input type="checkbox"/> Coût d'incidence	<input type="checkbox"/> Coût d'incidence

Coûts ex-post (fonds et produits structurés)		Acceptation ou information du Client	
<input type="checkbox"/>	Coûts récurrents	<input type="checkbox"/>	Coûts récurrents
<input type="checkbox"/>	Frais de gestion	<input type="checkbox"/>	Frais de gestion
<input type="checkbox"/>	Coût de transaction	<input type="checkbox"/>	Coût de transaction
<input type="checkbox"/>	Coût d'incidence	<input type="checkbox"/>	Coût d'incidence
Comparaison à d'autres instruments/produits financiers similaires (obligatoire pour le conseil indépendant)			
<input type="checkbox"/>	Non		<input type="checkbox"/>
<input type="checkbox"/>	Oui - Liste des instruments ou produits comparés :		
Raison pour laquelle l'instrument ou le produit financier est proposé au Client			
<input type="checkbox"/>			
Document à remettre au préalable au client			
<input type="checkbox"/>	Oui : - Service de Conseil en Investissement - Gestion discrétionnaire sur demande du client	<input type="checkbox"/>	Non : - Gestion discrétionnaire - Pas de demande du client

<u>Asset Manager ayant effectué le test d'adéquation :</u>	Date : ____/____/____
Nom :	
Signature :	