



**H2O**  
Asset Management

## **Conflicts of Interest Inventory**

**Appendix N°1 Conflict of Interest Policy**

**Each updated version cancels and supersedes any prior version**



## Attributes

<b>Purpose</b>	To describe the potential conflicts of interest and the associated preventive measures.
<b>Scope</b>	H2O Asset Management LLP H2O AM Europe H2O AM Asia Pte. H2O Monaco
<b>Last Update</b>	May 2020
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## Document History

Version	Approbation Date	Revision	drafted by :	Reviewed/ Updated by	Approved by :
10	TBC	Update	M. El Khomsi	<ul style="list-style-type: none"><li>Jean Noel Alba</li><li>Jean Christophe Morandau</li><li>Sophie Mourton</li></ul>	TBC

Assessment of Conflict of interests is a risk based approach. Risks areas and key risk factors have to be assessed at least once a year:

Areas	CoI Name	Key Risk Factors
<b>Investment Processes</b>	[1][2] Portfolio Management	<ul style="list-style-type: none"> <li>• Turnover fee</li> <li>• Performance fee</li> </ul>
	[3] Transaction ordering and order allocation	<ul style="list-style-type: none"> <li>• Base and/or Performance Fees</li> <li>• Cost reduction</li> </ul>
	[4] Cross Trade	<ul style="list-style-type: none"> <li>• Base and/or Performance Fees</li> <li>• Cost reduction</li> <li>• Liquidity Context / redemption in sight</li> </ul>
	[5] Private Asset Selection	<ul style="list-style-type: none"> <li>• Averse Selection</li> <li>• Board Representative</li> </ul>
	[6] Investing in the in-house Funds	<ul style="list-style-type: none"> <li>• Double remuneration</li> <li>• Seed Money</li> <li>• Proprietary trading</li> </ul>
	[7] Incentive Conflicts and Investment Decision Process	<ul style="list-style-type: none"> <li>• Equity-Debtholder Conflicts</li> </ul>
	[8] Investment Services - Transactions with intermediaries	<ul style="list-style-type: none"> <li>• Transactions with Group Affiliates</li> <li>• Inappropriate price</li> <li>• Connected persons</li> <li>• Directed Brokerage</li> </ul>
	[9] Trading errors and omissions	<ul style="list-style-type: none"> <li>• Cost of the error</li> </ul>
	[10] Voting	<ul style="list-style-type: none"> <li>• Dedicated account alongside managed funds</li> </ul>
	<b>Code of Ethics</b>	[11] Outside Activities and Business interests
[12] Personal account trading		<ul style="list-style-type: none"> <li>• Confidential Information</li> <li>• Insider Information</li> <li>• Proprietary trading</li> </ul>
[13] Gifts & Entertainment & Inducement		<ul style="list-style-type: none"> <li>• Price</li> <li>• Volume</li> <li>• Frequency</li> </ul>



Areas	CoI Name	Key Risk Factors
Subscription Redemption Process	[14] Market timing and late trading	<ul style="list-style-type: none"> <li>Communicating Funds' composition in real time</li> <li>Or any other relevant information that may give an advantage</li> </ul>
	[15] Late Trade from employees	<ul style="list-style-type: none"> <li>Communicating funds pre-collecte</li> <li>Communicating Swing factors and Trigger threshold</li> </ul>
	[16] Dilution	<ul style="list-style-type: none"> <li>Market turmoil</li> <li>Liquidity Risk</li> <li>Open-end Fund structure</li> </ul>
Remuneration	[17] Variable remuneration	<ul style="list-style-type: none"> <li>Bonus structures</li> </ul>
Valuation	[18] Fair value	<ul style="list-style-type: none"> <li>Private Asset</li> <li>Illiquid Asset</li> </ul>
	[19] Swing Pricing Parameters	<ul style="list-style-type: none"> <li>Divulging swing pricing parameters</li> <li>Lack of confidentiality</li> </ul>
Natixis Group Affiliates	[20] Firm independence	<ul style="list-style-type: none"> <li>Percentage of ownership</li> <li>Seed Money</li> </ul>
H2O Group Affiliates	[21] Chinese Wall Information barriers / physical and electronic barriers	<ul style="list-style-type: none"> <li>Shared workspace and electronic accesses</li> </ul>
Information Distribution and Disclosure conflicts	[22] Client Information	<ul style="list-style-type: none"> <li>Sherry picking</li> </ul>
	[23] Side letters and preferential terms	<ul style="list-style-type: none"> <li>Preferential terms</li> </ul>
	[24] Handling sensitive and confidential information	<ul style="list-style-type: none"> <li>Sensitive information</li> <li>Confidential information</li> <li>Chinese Walls lack or deficiency</li> </ul>
Research Services	[25] Soft commission A Commission Agreement (CSA), Sharing	<ul style="list-style-type: none"> <li>Transactions with a Brokers</li> </ul>

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>1</sup>	Monitoring
1.	Investment Process	Portfolio Management	<ul style="list-style-type: none"> <li>Turnover fee</li> </ul>	Between H2O & Clients	Conflicts may arise between a Firm and clients where trades are done only with the intent of turnover commissions and not purely in the interests of clients.	<ul style="list-style-type: none"> <li>All fees are fully disclosed in each fund's legal documentation.</li> <li>Most of the Firm's funds have a medium to long term horizon and consequently a low turnover.</li> <li>Firm carries out a deep analysis on key performance factors at regular basis</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Team assesses deviations and legitimate reasons when applicable.</li> </ul>
2.	Investment Process	Portfolio Management	<ul style="list-style-type: none"> <li>Performance fee</li> </ul>	Between H2O & Clients	The presence of a performance fee means that the Firm has the incentive to maximise the payoff of this fee option and may encourage more active risk. In the other hand, in case of a significant performance fee provision at the end of the calculation period, the Firm may decide to reduce the risk to secure this provision.	<ul style="list-style-type: none"> <li>Each Portfolio Managers should comply with the risk budget stated for each Fund and each strategy. These budgets are defined according to risk budgeting approach.</li> <li>The structure of Performance fee is subject to Hurdle or High Water Mark provisions, to at least one year term and aims towards alignment with the client.</li> <li>Rules governing the level of performance fee, Hurdle and High Water Mark are disclosed in each fund's legal documentation.</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Team monitors fund's risk limit, investigates and well documents possible breaches, passive and actives breaches.</li> <li>Compliance Team monitors accuracy and fairness of the performance fees especially with regard to the defined strategy and risk budgets.</li> </ul>

<sup>1</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>2</sup>	Monitoring
3.	Investment Process	<p>Transaction ordering and order allocation :</p> <p><b>Investment/di sinvestment opportunities at ongoing basis</b></p> <p><b>New issue opportunities like “IPOs”</b></p>	<ul style="list-style-type: none"> <li>• Base and/or Performance Fees</li> <li>• Cost reduction</li> </ul>	Between Clients	<p>Managing multiple funds and servicing multiple clients may lead to potential conflict of interests between clients in terms of order allocation, particularly when a key risk factors arise, hereinafter referred to as "Key Risk Factors".</p> <p>Equally, where there are limited opportunities to access an attractive investment opportunity. In particular this will occur in IPOs (buy) transactions or less liquid securities (sell).</p>	<ul style="list-style-type: none"> <li>• Investment and disinvestment ordering shall be allocated fairly across all funds unless there are legitimate reasons for acting differently. The legitimate reasons must be well documented.</li> <li>• Aggregated orders that have been executed partially shall be allocated on a pro-rata basis unless there are legitimate reasons for acting differently. The legitimate reasons must be well documented.</li> <li>• Compliance pre-approval is required before participating to an IPO subject to a market sounding, cancelling or changing an order.</li> </ul>	<p>Compliance Team monitors transactions at different levels :</p> <ul style="list-style-type: none"> <li>• Where compliance pre-approval is required, a clear advice is communicated and well documented.</li> <li>• Checking at a regular basis the order allocation timing, the late allocation, and the cancelling order.</li> </ul>

<sup>2</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>3</sup>	Monitoring
4.	Investment Process	Cross Trade <sup>4</sup>	<ul style="list-style-type: none"> <li>• Base and/or Performance Fees</li> <li>• Cost reduction</li> <li>• Liquidity Context / redemption in sight</li> </ul>	Between Clients	From time to time crossing one fund's asset to another fund may be suitable for sell and buy sides. Cross trades may cause conflicts as there may be incentive for Firm to favour one fund over another, Especially when aims to well serve a “Star Fund”: <b>No “Robbing Peter to Pay Paul”</b> . Incitement may be imputable to one or more key risk factors hereinafter referred to as "Key Risk Factors".	<ul style="list-style-type: none"> <li>• Cross Trades are only undertaken as permitted under applicable law and/or clients restrictions</li> <li>• When in the best interest of both sides regarding qualitative and quantitative considerations.</li> </ul>	Compliance Team performs a monitoring at different levels: <ul style="list-style-type: none"> <li>• Prior the transaction; and</li> <li>• At a regular basis by a checking that cross trades logged into the systems comply with the pre-approval process.</li> </ul>
5.	Investment Process	Private Asset Selection	<ul style="list-style-type: none"> <li>• Adverse selection</li> <li>• Board Representative</li> </ul>	Between H2O & Clients	A conflicts interest may arise where, but not limited to, the governance rules of the investment decision as well board representative	<ul style="list-style-type: none"> <li>• Investment decisions are subject to investment committee approval and formal due diligences.</li> <li>• Each employee is required to disclose his/her outside and business interests before formal appointment and at regular basis.</li> </ul>	Compliance Team performs the following checks : <ul style="list-style-type: none"> <li>• AML/FT , including international sanctions checks</li> <li>• Employees outside activities and business interests.</li> </ul>

<sup>3</sup> With regard to the last review

<sup>4</sup> Also known as “Dual agency” or “transfer” ... the name is defined with regard to the type of actor who intervenes; but the key principles stay the same: Crossing operations between in-house products and/or activities.

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>5</sup>	Monitoring
6.	Investment Process	Investing in the in-house funds	<ul style="list-style-type: none"> <li>• Double remuneration</li> <li>• Seed Money</li> <li>• Proprietary trading</li> </ul>	Between H2O & Clients	Where a Portfolio Managers invest in other funds managed by H2O, that may involve a double charging fees for clients, and/or provide seed money without using proprietary funds. Equally, where a Portfolio Managers may favour funds in which they invest personally.	<ul style="list-style-type: none"> <li>• Investing in the in-house funds will be only undertaken as permitted under funds legal documentations and/or clients restrictions</li> <li>• Where authorised, the Firm does not apply double charging fees</li> <li>• With regard to personal account dealing, Portfolio managers are required to invest in at least two in-house funds.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team assesses a direct or indirect relevant factors which may incentive investing in in-house funds and seem not serve clients' interests well.</li> <li>• Fund's Custodian checks that there are no double charging fees.</li> </ul>
7.	Investment Process	Incentive Conflicts and Investment Decision Process	<ul style="list-style-type: none"> <li>• Equity-Debtholder Conflicts</li> </ul>	Between H2O & Clients	A Shareholders and debtholder have an opposite interest. The incentive interest of each side may affect the investment decision process in case of distress situation.	<ul style="list-style-type: none"> <li>• Each investment is done with regard to owner fund's strategy and interest of clients</li> <li>• Investments decisions are subject to investment committee oversight</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team monitors the dual positions and assesses the investment decision governance rules in such situation as well as direct or indirect factors which may make framework inefficient.</li> </ul>

<sup>5</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>6</sup>	Monitoring
8.	Investment Process	<b>Investment Services - Transactions with intermediaries: Broker and Counterparty Selection</b>	<ul style="list-style-type: none"> <li>• Transactions with Group Affiliates</li> <li>• Inappropriate price</li> <li>• Connected persons</li> <li>• Directed Brokerage</li> </ul>	Between H2O (or Staff) & Clients	<p>Investment services executed via third parties might rise a potential conflicts of interests where the quality and/or price of the service are not aligned with client interests like but not limited to:</p> <ul style="list-style-type: none"> <li>• Paying excessive commissions or fees for brokerage</li> <li>• Using affiliated party for brokerage at less favourable rates than available elsewhere</li> <li>• In the execution of transactions, a Firm may favour certain counterparties over others where such counterparties offer the Firm or its staff other products, services, allocations, or other gifts, entertainment or benefits (whether in a professional or personal capacity).</li> </ul>	<ul style="list-style-type: none"> <li>• Intermediaries are selected according to Best Execution/Selection policy and subject to the best selection/best execution committee oversight</li> <li>• Transactions with Group affiliates are submitted to the same process.</li> <li>• Each employee should disclose gifts and entertainment received or given, outside activities and business interests.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team performs several monitoring like , but not limited to: the governance and conclusions of Best Execution and Selection committee as well as Employees' statements.</li> </ul>

<sup>6</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>7</sup>	Monitoring
9.	Investment Process	Trading errors and omissions	<ul style="list-style-type: none"> <li>Cost of the error</li> </ul>	Between H2O & Clients	Trading errors that are not disclosed to clients give rise to a conflict in terms of who bears the cost of the error.	<ul style="list-style-type: none"> <li>Each error should be identified, investigated and resolved in the best interests of clients.</li> <li>Clients should be notified where errors result in an actual or opportunity loss to them.</li> </ul>	<ul style="list-style-type: none"> <li>Operational Risk Control and Compliance Teams work along to produce a reporting to the Legal, Risk and Compliance committee as well as to Executive Committee.</li> </ul>
10.	Investment Process	Voting	<ul style="list-style-type: none"> <li>Dedicated account alongside managed funds</li> </ul>	Between H2O & Clients	It may be in the interests of different clients for the manager to vote in different ways if they are following different investment strategies. The ability to exercise all shares in one client's interest causes a potential conflict. A conflict arises when a manager has the right to vote shares on clients' behalf in the securities of an affiliate or in the securities of a firm which an affiliate is advising or has some other interest.	<ul style="list-style-type: none"> <li>Voting is made in the exclusive interest of its shareholder and according to the proxy voting policy.</li> </ul>	<ul style="list-style-type: none"> <li>Middle Office team is in charge of processing the vote instructions with the relevant custodians and service providers.</li> </ul>

<sup>7</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>8</sup>	Monitoring
11.	Code of Ethics	Outside Activities and Business interests	<ul style="list-style-type: none"> <li>• Board Representative</li> <li>• Link between Firm activities and outside offices</li> <li>• any other direct or indirect inducement</li> </ul>	Between H2O employees & Clients	Firm's employees, directors or non-executive director may hold outside offices such as advisory board, memberships, and directorships or otherwise serve in alternative roles either within the Firm or on in oversight capacity to other public or private companies or charities. These outside offices and business interests may create a conflict with client interests.	<ul style="list-style-type: none"> <li>• Each outside office held or intends to be held by Firm's Employees should be reported and approved by Compliance Team and where necessary Compliance team escalate to Deputy CEO</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team is keeping up date: a register of outside offices held by Firm Staff ; a register of Gifts&amp; Entertainment&amp; Inducement declared.</li> </ul>
12.	Code of Ethics	Personal account trading	<ul style="list-style-type: none"> <li>• Confidential Information</li> <li>• Insider Information</li> <li>• Proprietary trading</li> </ul>	Between H2O employees & Clients	Firm's employees may have access to confidential or insider information in his or her functions. Using theses information for a personal transaction instead of clients' interests arise a potential conflict of interests.	<ul style="list-style-type: none"> <li>• Each employees must disclose all personal account trading when he/she has been hired and at regular basis as well as transactions on such accounts.</li> <li>• For certain transactions, a pre-approval Compliance approval is required before any dealing.</li> <li>• Credit Analysts cannot invest in securities that they cover.</li> <li>• Securities subject to insider information are logged and recorded on restricted list.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team monitors employees personal account dealing and updates a register.</li> </ul>

<sup>8</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>9</sup>	Monitoring
13.	Code of Ethics	Gifts Entertainment Inducement	<ul style="list-style-type: none"> <li>• Price</li> <li>• Volume</li> <li>• Frequency</li> </ul>	Between H2O employees & Clients	Receiving or Offering gifts and/or entertainment to and/or from third parties may influence employees' behaviours or induce them to act in inappropriate or unethical manner to the detriment of client.	<ul style="list-style-type: none"> <li>• Each employee should disclose gifts and entertainments received or given according to the internal policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team is keeping up date a register of gift, entertainment and inducement disclosed by employees.</li> <li>• With regard to the anti-bribery and corruption risk, a regular assessment is done based on specific tool.</li> </ul>
14.	Subscription Redemption Process	Market timing and late trading	<ul style="list-style-type: none"> <li>• Communicating Funds' composition in real time</li> <li>• Or any other relevant information that may give an advantage</li> </ul>	Between Clients	Subscriptions and redemptions must be done at "unknown price". For that reasons, a periodical communications on a fund composition, pre-collect figures, main positions and / or swing factors and Trigger may give advantage to certain clients compared to other.	<ul style="list-style-type: none"> <li>• It is strictly forbidden to communicate in real time the details of the fund to a prospect, client, distributor, consultant or other counterparty or external intermediaries.</li> </ul>	<ul style="list-style-type: none"> <li>• The processing of subscription and redemption is undertaken by the transfer agent and the custodian.</li> <li>• At a regular basis, Compliance Team reviews and checks communications rules with regard fund's details and swing pricing settings.</li> <li>• Late trade from clients are subject to Compliance Team pre-approval upon request of custodian.</li> </ul>

<sup>9</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>10</sup>	Monitoring
15.	Subscription Redemption Process	Late Trade from employees	<ul style="list-style-type: none"> <li>Communicating funds' pre-collecte</li> <li>Communicating Swing factors and Trigger threshold</li> </ul>	Between H2O employees & Clients	Subscriptions and redemptions must be done at "unknown price". For that reasons, a periodical communications on a Fund composition, pre-collect figures and/ or swing factors and Trigger threshold may give advantage to Firm's employees against Clients.	<ul style="list-style-type: none"> <li>Internal communication is authorized but only to certain people who have to approve or may advice. Communication outside the authorised people should be reported to the Compliance</li> <li>Late trades are not authorized.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Team reviews and checks at a regular basis the communications rules with regard fund's details and swing pricing settings.</li> </ul>
16.	Subscription Redemption Process	Dilution	<ul style="list-style-type: none"> <li>Market turmoil</li> <li>Liquidity Risk</li> <li>Open-end Fund structure</li> </ul>	Between Clients	Subscription and redemption activities into funds have direct and indirect costs lead to dilution of the performance without any mitigation which is an issue for clients who keep position at long term.	<ul style="list-style-type: none"> <li>Where relevant, net assets values are adjusted according to the swing pricing approach in order to protect, as much as possible, the existing fund's holders.</li> </ul>	<ul style="list-style-type: none"> <li>Risk and Compliance Teams sit at the Swing Pricing committee that is held one at least each quarter; this body oversees and makes recommendations with regard to Swing Pricing framework.</li> </ul>

<sup>10</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>11</sup>	Monitoring
17.	Remuneration	Variable remuneration	<ul style="list-style-type: none"> <li>Bonus structures</li> </ul>	Between H2O employees & Clients	Employees may concern themselves solely with generating profit for H2O to the detriment of generating performance for clients	<ul style="list-style-type: none"> <li>Various incentives for staff are linked to the performance generated for clients. If performance for clients is lacking, the variable remuneration will be reduced or null.</li> </ul>	<p>Approbation of variable remuneration policy by Firm Remuneration Committee yearly.</p>
18.	Valuation	Fair value	<ul style="list-style-type: none"> <li>Private Asset</li> <li>Illiquid Asset</li> </ul>	Conflict Between H2O & Clients	Private asset or illiquid, in general, suffer from a lack of liquidity. In times of crisis, the fair value seems more close to valuation price (“hypothetical price”) than execution price (“real price with regard to market condition and its irrationality). In this context, a conflict interest may rise between Firm and clients where Firm remuneration is linked to these assets.	<ul style="list-style-type: none"> <li>Valuation of private and illiquid assets is subject to valuation committee oversight</li> </ul>	<ul style="list-style-type: none"> <li>Custodians have been appointed to perform a Fund’s valuation</li> <li>Risk management Team is in charge to oversight the fair value process and produce a daily reporting.</li> <li>Risk, Compliance and Investment Teams sit at the valuation committee.</li> </ul>

<sup>11</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>12</sup>	Monitoring
19.	Valuation	Swing Pricing Parameters	<ul style="list-style-type: none"> <li>Divulging swing pricing parameters</li> <li>Lack of confidentiality</li> </ul>	Between H2O & Clients  <b>And</b>  Between Clients	Divulging swing pricing parameters may procure an advantage to the Firm, a clients or a proprietary account.	<ul style="list-style-type: none"> <li>External communication is forbidden, in writing or verbally. The swing principles could be communicated to the Clients and/or agents but never the details. Compliance should be informed about any external query in this matter.</li> <li>Internal communication is authorized but only to certain people who have to approve or may advice. Communication outside the authorised people should be reported to the Compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Team shall ensure that confidentiality framework is defined and is fully known by employees.</li> </ul>

<sup>12</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>13</sup>	Monitoring
20.	Natixis Group Affiliates	Firm independence	<ul style="list-style-type: none"> <li>Percentage of ownership</li> <li>Seed Money</li> </ul>	Conflict with Group affiliates	Intervention of parent company to influence investment process, given recommendation...	<ul style="list-style-type: none"> <li>H2O AM and its Affiliates maintain and operate effective organizational and administrative arrangements in order to keep and safeguard the decision independence.</li> </ul>	<ul style="list-style-type: none"> <li>Legal and Compliance Team are in charge to assess organizational and administrative arrangements within Group H2O AM as well as with regard to Group Natixis.</li> <li>The Global head of Legal and Compliance Is appointed member of the BoD and has access to the clauses of the shareholder pact. He also relies on the CCOs's opinion for each new regulatory agreement or ongoing updates.</li> </ul>

<sup>13</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>14</sup>	Monitoring
21.	H2O Group Affiliates	Chinese Wall Information barriers / physical and electronic barriers	<ul style="list-style-type: none"> <li>Shared workspace and electronic accesses with certain affiliates</li> </ul>	Conflict between H2O Group Affiliates	Where the Firm implements information barriers or physical barriers to information distribution, there may be inadequate monitoring of such barriers or governance of those individuals above the information barrier / on either side of the barrier to prevent distribution of information.	<ul style="list-style-type: none"> <li>Firm shall ensure that physical and/or electronic separation of individuals (or groups of individuals) within the same firm that prevents confidential or insider information passing between them.</li> </ul>	<ul style="list-style-type: none"> <li>IT Team are in charge to ensure that each affiliate has an adequate access.</li> <li>Compliance Team checks the implementation of physical and electronic barriers as well as access.</li> </ul>
22.	Information Distribution and Disclosure conflicts	Client Information	<ul style="list-style-type: none"> <li>Sherry picking</li> </ul>	Between H2O & Clients	Where information communicated to client regarding funds are incomplete or biased, it is causing the investment decision to be inadequate for the client.	<ul style="list-style-type: none"> <li>Outside communication is subject to Compliance approval.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Team monitors on an ongoing basis marketing communication.</li> </ul>

<sup>14</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>15</sup>	Monitoring
23.	Information Distribution and Disclosure conflicts	Side letters and preferential terms	<ul style="list-style-type: none"> <li>• Preferential terms</li> </ul>	Between Clients	Certain clients may request preferential treatment or provision of information compared to other Investors in the same fund(s) which may give rise to a conflict of interest between the interests of clients to whom preferential rights have been granted and the interests of Investors to whom preferential rights have not been granted.	<ul style="list-style-type: none"> <li>• To ensure a fair treatment between clients the provision “Most Favour Nation (MFN)” should be applied unless there are valid reasons justifying its non-use.</li> </ul>	<ul style="list-style-type: none"> <li>• Legal Team is in charge to produce a side letters terms and ensure that MFN clauses are carefully drafted to ensure that they do not give broader rights than those intended and to ensure that they are workable.</li> <li>• Compliance Team monitor that the practice of side letter remains marginal as well as the communication framework to clients.</li> </ul>
24.	Information Distribution and Disclosure conflicts	Handling sensitive and confidential information	<ul style="list-style-type: none"> <li>• Sensitive information</li> <li>• Confidential information</li> <li>• Chinese Walls lack or deficiency</li> </ul>	Between Clients	Inappropriate handling of sensitive or confidential information (whether inside information or not) or using such information to trade inappropriately to the detriment of other clients.	<ul style="list-style-type: none"> <li>• Portfolio Managers must inform compliance team about any insider information according to internal process.</li> <li>• Securities subject to insider information are logged and recorded on restricted list.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team performs a regular monitoring on funds’ transactions with regard to the restricted lists as well as Employees personal transactions</li> </ul>

<sup>15</sup> With regard to the last review

N°	Areas	COI	Key Risk Factors	Type of COI	COI Rationale	H2O Policy <sup>16</sup>	Monitoring
25.	Research Services	<ul style="list-style-type: none"> <li>• Soft commission</li> <li>• A Commission Sharing Agreement (CSA),</li> </ul>	Transactions with a Brokers	Between H2O & Clients	<p>Commission payments for trades made to brokers may generate ‘soft dollars’<sup>17</sup> under which the broker provides research services to the investment manager in return for the commission business. The commission payments are charged directly to client accounts, but the ‘soft dollars’ are directed to the investment manager. This creates a conflict of interest as the investment manager might generate excessive charges on the client’s account in order to receive more research or other services from the broker. Soft dollar arrangements can be a factor in a money manager’s “best execution” determinations.</p>	<ul style="list-style-type: none"> <li>• Firm bears all costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Team checks once a year the changes if any.</li> </ul>

<sup>16</sup> With regard to the last review

<sup>17</sup> It’s the same as soft commission as well as a Commission sharing agreement (CSA),