

# Principles for Dealing with Conflicts of Interest

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HAUCK  
AUFHÄUSER  
FUND SERVICES

# In the interests of our customers

Luxembourg management companies and alternative investment fund managers (hereinafter referred to as **"AIFM"**) are obliged to manage conflicts of interest in order to be able to offer their services in an environment of integrity and to avoid any damage to investors' interests that result from a lack of integrity on the part of the company. To this end, potential and actual conflicts of interest must be identified, effective precautions taken to manage them and, if necessary, disclosed to the investors concerned.

The corporate policy of Hauck & Aufhäuser Fund Services S.A. is always aimed at conducting business in such a way that conflicts of interest of any kind are excluded as far as possible from the outset. Hauck & Aufhäuser Fund Services S.A. is obliged to its respective tasks and activities as a management company or AIFM honestly, fairly and professionally in the interests of the investors.

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

## 1. Legal basis and terminology

Hauck & Aufhäuser Fund Services S.A., as a management company pursuant to Chapter 15 of the Law of December 17, 2010 on undertakings for collective investment (**"UCI Law"**) and as an AIFM pursuant to Chapter 2 of the Law of July 12, 2013 (**"AIFM Law"**), is obliged to comply with the relevant provisions of the UCI Law in conjunction with CSSF Regulation 1004 and the AIFM Act in conjunction with Delegated Regulation (EU) No. 231/2013 of December 19, 2012 on the identification, prevention, resolution and monitoring of conflicts of interest. Such a regulation can also be found in the law of 13 February 2007 in its amended form regarding specialized investment funds.

In principle, a conflict of interest is a situation in which one party is involved in mutually exclusive obligations, commitments

or objectives and, as a result, cannot fulfill its obligations or tasks free from competing aspects. As part of its duties, Hauck & Aufhäuser Fund Services S.A. is obliged to manage the undertakings for collective investments in transferable securities (**"UCITS"**), undertakings collective investment (**"UCI"**), alternative investment funds (**"AIF"**) and reserved investment funds (**"RAIF"**) (hereinafter collectively referred to as **"funds"**) it manages in accordance with the law and equity.

## 2. Types of conflicts of interest

The risk of conflicts of interest can arise between

- Hauck & Aufhäuser Fund Services S.A. and their respective business partners,
- two business partners of Hauck & Aufhäuser Fund Services S.A.,
- a fund or the investors in this fund and another business partner of Hauck & Aufhäuser Fund Services S.A.,
- two funds<sup>1</sup> that harm the interests of the funds or those of the investors,
- Hauck & Aufhäuser Fund Services S.A. and its managers, employees or any other person directly or indirectly associated with Hauck & Aufhäuser Fund Services S.A. through a control relationship and the fund it manages or the investors in this fund.

In particular, it is the duty of every employee and the Management Board/Supervisory Board as well as every person directly or indirectly associated with Hauck & Aufhäuser Fund Services S.A. through a controlling relationship to ensure that conflicts of interest avoided or, if they are unavoidable, reported to the responsible compliance function.

The main focal points of the compliance function's conflict of interest management include keeping a register of conflicts of interest and taking appropriate and necessary measures.

<sup>1</sup> For example, in the relationship of a UCITS managed by Hauck & Aufhäuser Fund Services S.A. to another UCITS managed by Hauck & Aufhäuser Fund Services S.A.; of an AIF managed by Hauck & Aufhäuser Fund Services S.A. to another AIF managed by Hauck & Aufhäuser Fund Services S.A. or of an AIF managed by Hauck & Aufhäuser Verwaltungsgesellschaft to a UCITS managed by it.

### 3. Identification of conflicts of interest

Conflicts of interest include in particular, situations in which Hauck & Aufhäuser Fund Services S.A., its employees and the Management Board/Supervisory Board or a person directly or indirectly associated with it through a controlling relationship:

- is likely to achieve a financial advantage or avoid a financial loss, which is to the detriment of the fund or its investors;
- has an interest in the result of a service or activity provided for the Fund or its or a business partner or a transaction carried out for the Fund or a business partner that does not with the Fund's interest in this result;
- has a financial or other incentive to place the interests of a client or investor or a group of business partners or investors above the interests of a fund or its investors, or to place the interests of one investor above the interests of another investor or a group of investors in the same fund;
- performs the same activities for several funds or business partners;
- currently or in the future receives an incentive in the form of money, goods or services from a person other than the Fund or its investors in respect of collective portfolio management services to the Fund in addition to the usual commission or fee for such services.

The employees and the Management Board/Supervisory Board of Hauck & Aufhäuser Fund Services S.A. as well as persons directly or indirectly associated with it through a controlling relationship are obliged to report potential or actual conflicts of interest to the responsible compliance function. The identified conflicts of interest must be described and summarized in a conflict of interest register. This so-called conflict of interest register is maintained and regularly updated by the responsible compliance function. The potential conflicts of interest represent risks that are taken into account in the compliance risk analysis.

#### 3.1 Conflicts of interest between related parties

All business relationships of Hauck & Aufhäuser Fund Services S.A. with other entities of the Group (e.g. Hauck Aufhäuser Administration Services S.A.; HAL Fund Services Ireland) or employees, shareholders, managers and/or members of the Board of Directors or Supervisory Board of these entities, which have or could have a material and negative impact on the risk profile of Hauck & Aufhäuser Verwaltungsgesellschaft, must be reported to the responsible compliance function and approved by the Management Board/Supervisory Board of Hauck & Aufhäuser Fund Services S.A..

Conflicts of interest at the level of the Board of Directors of the managed funds may arise in particular if the members of the Board of Directors of the fund consist of employees or members of the Management Board of Hauck & Aufhäuser Verwaltungsgesellschaft or management bodies of other companies in the Group. Furthermore, a conflict of interest may exist if a fund is involved in a transaction in which one or more members of the Board of Directors of the fund directly or indirectly involved on the other side. In addition, members of the Board of Directors of the fund may hold mandates and duties in other funds or other structures and companies. If the Board of Directors of the Fund has a personal interest in connection with a business transaction that conflicts with the interests of the Fund, the Board of Directors will disclose this conflicting personal interest and will not participate in discussions or votes in connection with this business transaction, and this business transaction and the personal interest of the Board of Directors of the Fund will be reported to the next General Meeting.

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

Conflicts of interest may also arise if a person directly or indirectly affiliated with Hauck & Aufhäuser Verwaltungsgesellschaft (e.g. investment advisor or portfolio manager):

- is directly or indirectly involved in a transaction on the opposite side of a transaction of the fund;
- provides advice on financial market instruments of companies with which there are personal ties or in which significant shareholdings are held
- performs other mandates with a comparable range of tasks.

Investment advisors and portfolio managers have to disclose all conflicts of interest to Hauck & Aufhäuser Verwaltungsgesellschaft in writing.

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

When outsourcing activities to external service providers, Hauck & Aufhäuser Fund Services S.A. identifies potential conflicts of interest as part of due diligence checks.

Hauck & Aufhäuser Fund Services S.A. ensures that the service providers involved also an appropriate policy for dealing with conflicts of interest. This includes service contracts with the domiciliary and central administration agent, the depositary and, if applicable, the registrar and transfer agent and any mandated portfolio manager or investment advisor, in particular if members of the Board of Directors of the fund are simultaneously in an employment or other contractual relationship with one of the service providers.

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

Hauck & Aufhäuser Fund Services S.A. has implemented the following measures, among others, to manage any conflicts of interest:

- Commitment of employees to high ethical standards;
- Establishment of an independent compliance function;
- Keeping a register of conflicts of interest;

- Definition of principles and procedures for managing conflicts of interest;
- Careful selection and regular training of employees and the Management Board;
- Creation of a remuneration structure that guarantees the independence of employees
- Ensuring the organizational independence of departments or units between which conflicts of interest exist or between which conflicts of interest may arise;
- Classification of certain employees as so-called employees with special functions; separate monitoring of transactions of these employees;
- Rules on the acceptance, granting and disclosure of benefits/gifts;
- regular survey of memberships and activities/mandates of employees in the context of their work for Hauck & Aufhäuser Fund Services S.A. and outside their official activities.

Hauck & Aufhäuser Fund Services S.A., as management companies supervised by the Commission de Surveillance du Secteur Financier ("**CSSF**") and members of the Association of the Luxembourg Fund Industry ("**ALFI**"), also follow ALFI Code of Conduct for Luxembourg Investment Funds.

## 5. Disclosure of conflicts of interest

If the organizational measures taken by Hauck & Aufhäuser Verwaltungsgesellschaft to identify, prevent, resolve and monitor conflicts of interest are not sufficient to ensure that the risk of damage to the interests of investors or funds is avoided, the investors concerned will be of this fact. Further information is available free of charge on request from Hauck & Aufhäuser Fund Services S.A.

**HAUCK & AUFHÄUSER FUND SERVICES S.A.**

1c, rue Gabriel Lippmann

L- 5365 Munsbach

Phone +352 451314-500

Fax +352 451314-519

[www.hauck-aufhäuser.com](http://www.hauck-aufhäuser.com)

[info@hauck-aufhäuser.com](mailto:info@hauck-aufhäuser.com)

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