



## 5 CONFLICTS OF INTEREST

### 5.1 Definitions

#### Relevant Person

- (a) Staff members
- (b) a natural or legal person who is directly involved in the provision of services to Pelargos under a delegation arrangement to third parties for the purpose of the provision of collective portfolio management or Managed Accounts by Pelargos

### 5.2 Scope and objective

This policy is applicable for Pelargos, its Staff members, and any person directly or indirectly affiliated with Pelargos through a control structure.

The Pelargos standard for fund governance means that attention is given to managing potential conflicts of interest.

As a matter of principle the governance aims to avoid (potential) conflicts of interest between the holders of Units in the Pelargos Funds, Clients and other parties such as Pelargos itself or (in- and external) service providers as well as to avoid conflicts of interest among the Pelargos Funds and Managed Accounts. Consequently and in accordance with Pelargos' duty to act in the interests of Unit holders and Clients, these rules have been developed further to identifying areas of such (potential) conflicts that are not been covered by other Pelargos (Fund) policies and procedures.

Not all governance issues may be covered by these rules. In situations not covered by the rules, the MB shall endeavour to resolve any issue whilst paying due attention to the interests of the Unit holders and Clients as well as its legal duty to act in the interests of such holders and Clients. It shall, furthermore, give reasonable and fair consideration to the relevant facts and circumstances.

Also legislation requires Pelargos to maintain adequate organisational measures with the aim of preventing conflicts of interest or – if conflicts of interest arise – to identify and control them.

### 5.3 General conflicts of interest

A conflict of interest may arise if competing professional or personal obligations or financial interests prevent a Staff member from carrying out his or her duties in an open manner. It may occur for example between Shareholders / Pelargos / Clients, or between Pelargos / Staff members partners, and may arise as a result of remuneration, commissions, gifts, personal relationships etc.

The following conflicts of interest may be relevant and will receive specific attention by the MB and CO. Pelargos has identified the following types of (possible) conflicts of interest:

- i) Conflicts of Interest between Pelargos Staff and the Pelargos Funds/ Clients / Unit Holders;
- ii) Conflicts of Interest between Pelargos and the Pelargos Funds/ Clients / Unit Holders;
- iii) Conflicts of Interest between a Pelargos Fund/ its Unit Holders and other Pelargos Funds or Clients; and
- iv) Conflicts of Interests between Clients.



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For the purpose of identifying the types of conflicts of interest that arise in the course of managing a Fund or a Managed Account, Pelargos shall take into account, in particular, whether Pelargos, a Relevant Person or a person:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the Fund, its Unit Holders or the Clients/ Managed Accounts;
- has an interest in the outcome of a service or an activity provided to the Fund or to a Unit Holder or to a Client/ Managed Account or of a transaction carried out on behalf of the Fund or a Unit Holder or a Client/ Managed Account, which is distinct from the Fund's interest in that outcome;
- has a financial or other incentive to favour a specific (group of) Unit Holders or Fund or Client;
- favours the interest of one Unit Holder over the interest of another Unit Holder in the same Fund or between funds;
- receives or will receive from a person other than the Fund or its Unit Holders or a Client, an inducement in relation to collective portfolio management activities provided to the Fund or in relation to Managed Accounts, in the form of monies, goods or services other than the standard commission or fee for that service.

#### **5.4 Specific conflicts of interest**

Pelargos has identified all (possible) conflicts of interest and described these and the mitigating measures in the Register Conflicts of Interest.

##### **Redemption of investments**

Pelargos identifies, manages and monitors potential conflicts of interest arising between Unit Holders wishing to redeem their investments and Unit Holders wishing to maintain their investments in the Fund given the liquidity profile of the underlying investments of the Fund.

##### **Voting right strategies**

Pelargos will consider to exercise its voting rights based on holdings in Japan listed companies, if:

- the holding of the Fund in the Japan listed company is significant; and
- the agenda of the shareholders' meeting gives cause to vote.

When exercising its voting rights Pelargos shall make a consideration which is in the best interest of all Unit Holders.

##### **Aegon Group**

Pelargos monitors the potential conflicts arising from the following (intercompany) activities within a corporate group:

- Pelargos shares some Staff members with Pelargos Capital B.V.
- Aegon Asset Management Holding B.V.(AAM) is with 68% percent Pelargos' largest shareholder. AAM is part of of Aegon Group NV, which is also the parent company of Aegon Netherlands NV, which indirectly, on behalf of their insurance clients, is the largest Unit Holder of Pelargos.

##### **Outsourced activities**

Pelargos has delegated activities to:



- Solotional, which performs the AIFMD + DRA reporting duties to DNB;
- the Fund Administrator, which execute Fund Accounting and Transfer Agency.

Both the Fund Administrator and the Depositary are part of Bank of New York Mellon Group. Potential conflicts of interest are mitigated by a separation of activities functionally and hierarchically. The distinguished activities between the Fund Administrator and the Depositary are performed at different locations, by different legal entities and by different teams.

To avoid any conflicts of interest when delegating, outsourcing or insourcing any activities Pelargos will use objective criteria to select and evaluate such party.

Pelargos has insourced IT.

### **5.5 Mitigating measures**

In order to prevent conflicts of interest from occurring or to control or mitigate potential undesired outcomes of such conflicts a Code of Conduct and specific Policies and procedures have been written, which are enclosed in the Compliance Manual.

In principle the interests of Pelargos' Unit Holders and Pelargos' Clients/ Managed Accounts come first. Documentation should give sufficient guidance or specific direction to cope with the stated items in previous paragraph.

The policies and procedures include or are consistent with the following measures:

#### *Conflicts register*

Pelargos has and maintains a register Conflicts of Interest. The Register also identifies specific cases where exceptional conflicts have arisen or may arise and the mitigating measures for these specific cases. Pelargos records instances where Pelargos has made relevant disclosures. This Register is maintained by the CO.

#### *Chinese Walls*

Chinese Walls may be operated by Pelargos and are designed to restrict information flows between areas likely to generate a conflict of interest. They are there to allow Pelargos to carry out work on behalf of a Fund/ Unit Holder or Client without being influenced by other information held within Pelargos that may give rise to a conflict of interest.

#### *Confidentiality*

Pelargos treats all information it holds as confidential. In addition Pelargos maintains arrangements which restrict the flow of information to certain individuals in order to protect Unit Holder and Client interests and prevent improper access to Unit Holder and Client information.

#### *Transparency*

Where appropriate Pelargos will align interests of different Unit Holders, Clients and Pelargos by means of transparent fee arrangements and disclosure of investments.

#### *Separate supervision and segregation of functions*

Where appropriate, Pelargos will arrange for the supervision and/or functional segregation of individuals and/or parts of our business carrying out activities for Funds/ Unit Holders or Clients whose interests may conflict. These steps are designed to prevent the simultaneous involvement of a Relevant Person in separate services or activities where such involvement may impair the proper management of conflicts.



### *Personal behaviour and account dealing*

The Market Abuse Policy & Personal Account Dealing Policy applies to all Staff members and ensures that the personal activities of all Staff members, and personal account dealings in particular, take place in accordance with the Code of Conduct and Pelargos' provisions on personal account dealing.

Pelargos will hold training sessions periodically, to inform Staff members about the prevailing Code of Conduct, Policies and legislation. This may include training to allow all Relevant Persons to identify day-to-day business situations where a potential conflict of interest may arise.

## **5.6 Reporting and escalation**

All Relevant Persons have a responsibility to be aware of the potential for a conflict of interest to arise. Any Relevant Person who becomes aware of a (potential) conflict of interest should immediately notify either the COO or the CO. If a conflict of interest exists, is likely to exist or appears to exist for a member of the MB the Relevant Person will not participate in the decision-making process in respect of which that (potential) conflict of interest exists.

Once the COO or the CO has notified the MB, the MB may take remedial action with respect to the conflict of interest, including:

- Removing the Relevant Person from the decision-making process with respect to which it has a conflict of interest;
- separating the functions that combined involve a conflict of interest and the supervision thereon;
- erecting Chinese walls or other relevant measures; and
- other appropriate action commensurate to the nature of the conflict of interest.

If no agreement is reached within the MB on how to address (potential) conflict of interest must be resolved, the shareholder meeting will be informed so that it can decide on a remedial action. If any of these remedial actions do not eliminate the risk of damages to Unit Holder's or Client's interests, the MB will disclose the conflict of interest to its Unit Holders and Clients.

## **5.7 Publication, monitoring and evaluation**

Pelargos has organised its activities in such a way that it can serve its Unit Holders and Clients optimally at all times and, insofar as circumstances reasonably permit, thereby always put the Unit Holder's and Client's interests first. However, it is possible that within Pelargos some activities for one Unit Holder or group of Unit Holders or Clients is in conflict with the interests of another Unit Holder or group of Unit Holders or Clients. As set out above in general terms, policy measures and procedures are in place at Pelargos to deal adequately with conflicts of interest. Should a conflict of interest nonetheless be unavoidable, Pelargos will inform the Unit Holder and/ or the Client about this in an appropriate and sufficiently detailed way, so that they can make a well-considered decision. Pelargos can also decide to cease or refuse activities which have led to actual conflicts of interest or could lead to potential conflicts of interest. If the situation in which actual conflicts of interest occur or potential conflicts of interest could occur is not explicitly described in the policy measures and procedures referred to above, Pelargos' COO will be responsible for dealing with and recording the (potential) conflict of interest.



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Pelargos periodically evaluates with respect to the products and services whether certain situations can give rise to actual or potential conflicts of interest. Pelargos thereby also assesses whether its policy aimed at controlling such conflicts of interest is effective and adequate.

## **5.8 Rules of conduct regarding conflicts of interest**

### **Gifts**

No Staff member may accept a gift or a favour offered to him in that capacity, if accepting such gift or favour could be construed as to influence subsequent business decisions or accepting such gift or favour would conflict with Pelargos' duty to act in the interest of Unit holders in the Pelargos Funds or to act in the interest of the Clients/ Managed Accounts.

It is not permitted to accept a gift or a favour with a value in excess of EUR 50, unless the prior written approval of the COO has been sought and obtained. The COO will record all approvals granted.

It is prohibited to receive a gift or favour from the same business contact more than twice a year.

In case of doubt as to the allowability of a gift or favour, a Staff member should seek advice from the COO or the Compliance Officer. That advice will be provided in writing by the Compliance Officer and recorded by the COO.

If gifts are to be offered by a Staff member or favours are to be given, the rules set out above apply mutatis mutandis.

### **Trips and events**

No invitation for trips or events may be accepted by a Staff member that is not a member of the MB, unless approval has been granted by the member of the MB to whom he reports. The COO will record all approvals granted.

No invitation for trips or events may be accepted by a member of the MB, unless approval has been granted by another member of the MB. The COO will record all approvals granted.

### **Private engagements with service providers of Pelargos**

It is prohibited to engage privately with service providers of Pelargos at conditions different from the conditions that such service provider would apply in conducting its regular business.

### **Additional functions and extra duties**

It is not permitted for any Staff member to fulfil additional functions ("nevenfuncties") at any public or private organisation nor to perform extra duties ("nevenwerkzaamheden") for third parties and conduct business on own account, which may lead to a conflict of interest with Pelargos. The Staff members need to ask for prior approval from the MB to fulfil additional functions and/or to perform additional activities.

In considering a request for permission, the members of the MB will consider the likelihood that a conflict of interest may arise as well as the potential impairment of the business integrity or interests of Pelargos. Conditions may be attached to any permission so granted. If the MB is of the opinion that the additional function and/or the additional activities may lead to a conflicts of interests with Pelargos, the MB will not grant permission.



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### **Authorisation of movements of Units**

As no Staff member may conduct any financial transaction that could give rise to the presumption of favourable treatment of such member or other persons to the detriment of Pelargos or the Unit holders in Pelargos Funds, it is not permitted that a Staff member records movements of Units in his own name or in the name of a member of his family, in the name of a cohabitant or in the name of a person that he represents.