

**Principles for Managing Conflicts of Interest at
Lazard Asset Management (Deutschland) GmbH**

1. Introduction

As an asset management company (*Kapitalverwaltungsgesellschaft* (KVG)) or, more precisely, an alternative investment fund manager (AIFM), we (Lazard Asset Management (Deutschland) GmbH) are obligated to act honestly, with due skill, care and diligence and fairly in conductive our activities.

We must act in the best interests of the investment funds we manage or the investors of these investment funds and the integrity of the market.

We are required to take reasonable steps to avoid conflicts of interest and, when they cannot be avoided, to identify, manage and monitor and, where applicable, disclose, those conflicts of interest pursuant to Articles 30 et seqq. of the EU Alternative Investment Fund Managers Directive (AIFMD) and Sec. 27 of the German Investment Code (*Kapitalanlagegesetzbuch* (KAGB))

2. Between whom can conflicts of interest arise?

Conflicts of interest can arise between the following in connection with the management of alternative investment funds (AIFs) and undertakings for collective investment in transferable securities (UCITS):

- the AIFM, including its managers, employees or any person directly or indirectly linked to the AIFM by control, and the investment fund managed by the AIFM or the investors in that investment fund;
- the investment fund or the investors in that investment fund, and another investment fund

- or the investors in that investment fund;
- the investment fund or the investors in that investment fund, and another client of the AIFM; two clients of the AIFM; or
- the delegates, sub-delegates, counterparties, depositary or external valuers and the investment fund, or between the AIFM and its investors.

3. During what activities can conflicts of interest arise?

Conflicts of interest can arise during the following business activities:

- a) Financial portfolio management
- b) Investment advising
- c) Custodial and management activities
- d) Sales of own or third-party investment funds
- e) Outsourcing
- f) Redemption of investments
- g) Exercise of voting rights
- h) Belonging to the Lazard Group

3a) Conflicts of interest in financial portfolio management

Financial portfolio management involves the management of individual funds or multiple funds invested in financial instruments for others with latitude to make decisions.

A range of different conflicts of interest can arise in the course of these activities, as all investors and their assets must be treated equally. There are various factors to be taken into account here, including that investors must not be placed at any disadvantage compared with other investors in the execution of commercial transactions and that the interests and concerns of employees must not lead to any disadvantages whatsoever for investors in the case of securities transactions of the employees' own.

3b) Conflicts of interest in investment advising

Investment advising involves the provision of personal recommendations to clients or their representatives with regard to transactions involving certain financial instruments, where the recommendation is based on a review of the investor's personal circumstances or is presented as being suitable for the investor and is not solely announced via channels for the distribution of information or to the public. A range of different conflicts of interest can arise in the course of these activities, as all investors and their assets must be treated equally. There are various factors to be taken into account here, including that investors must not be placed at any disadvantage compared with other investors in the execution of or advising on the execution of commercial transactions and that the interests and concerns of employees must not lead to any disadvantages whatsoever for investors in the case of securities transactions of the employees' own.

3c) Conflicts of interest in custodial and management activities

The requirements that apply to avoiding conflicts of interest are especially relevant to depositaries of an investment fund, for example if the depositary is also responsible for valuing assets of the AIF/UCITS. To avoid conflicts of interest between Lazard Asset Management (Deutschland) GmbH as an AIFM and/or the investment fund and/or its investors, the following are required:

- an AIFM is therefore not permitted to act as a depositary; and
- a prime broker acting as counterparty to an AIF is not permitted to act as depositary unless certain conditions are met.

3d) Conflicts of interest in sales of own or third-party investment funds

During sales of investment shares, conflicts of interest can arise in particular in the case of granting and/or receipt of

commissions and performance-based compensation of employees. In addition, conflicts of interest may arise in the case of granting of discounts to individual investors.

3e) Conflicts of interest in outsourcing

Conflicts of interest can also arise where tasks are outsourced to parties such as external valuers, a depositary, or other external service providers such as prime brokers or where back office functions are outsourced if the interest in the result of the services or activities performed or in a transaction executed for the AIF or a client is not congruent with the AIF's interest in this result.

3f) Conflicts of interest in the redemption of investments

Conflicts of interest can arise in the specific following cases in this context:

- between the investors wishing to redeem their investments and those wishing to maintain their investments; and
- between the AIFM's objective of investing in illiquid assets and the competing redemption principles of the investment fund.

With regard to share redemptions, care must be taken to ensure that no disadvantages arise for those clients continuing to hold shares in the fund (in the case of special funds, it may be necessary to stipulate this in a contract).

3g) Conflicts of interest in the exercise of voting rights

When voting rights are exercised in the portfolios of the investment funds under management, conflicts of interest may arise if voting does not take place exclusively for the benefit of the AIF in question and its investors.

In addition to the activities mentioned above, conflicts of interest may arise as a result of inside information.

Inside information is information possessed by individual or multiple employees of our firm that may affect prices, but is not public knowledge. Inside information may also lead to a disadvantage to or preferential treatment for individual investors or groups of investors. Such information must not be used for the company's own purposes.

It must also not be used to execute or provide advice on financial transactions for investors or by employees.

3h) Conflicts of interest as a result of belonging to the Lazard Group

In addition, conflicts of interest may arise from the fact that Lazard Asset Management (Deutschland) GmbH belongs to the Lazard Group.

LAM D has outsourced parts of its portfolio management to the Group parent company, Lazard Asset Management LLC, and the Group affiliate Lazard Asset Management Ltd, based on particular expertise in the areas of certain markets and with certain investments.

Whether the assignment of functions conflicts with the interests of the AIFM or the investors in the AIF is determined according to a number of factors, including the scope in which the delegate controls the AIFM or can affect the latter's actions and the likelihood of exploiting a disadvantage for an AIF to its advantage.

The list of activities and examples in whose cases conflicts of interest can arise as contained in these principles on the handling of conflicts of interest is not exhaustive. New conflicts of interest are discovered regularly and will be added to this policy and the register of conflicts.

4. What have we done to prevent conflicts of interest?

We have established effective principles on the handling of conflicts of interest

that are specified by the compliance department. The compliance department is independent of the commercial, processing, and other business departments and can thus perform its activities neutrally and without being bound by instructions. Among its other tasks, the compliance department is responsible for identifying circumstances that could give rise to a conflict of interest that might materially disadvantage an investor and taking reasonable and effective precautions to deal with conflicts in the interests of investors. An internal set of instructions on conflicts of interest was drafted for identifying new conflicts of interest. Relevant controls are also performed appropriately by the compliance department through implemented control processes ("first-level controls") or as a body not involved in the activities being monitored ("second-level controls").

In particular, the following measures are intended to prevent conflicts of interest:

- creation of organizational procedures to safeguard the interests of the investor in the investment advising or portfolio management within the meaning of the relevant investment guidelines and the best execution principles.
- establishment of areas of confidentiality both within the Group and within the branch ("Chinese walls").
- separation of tasks and areas of responsibility that may be viewed as incompatible with each other or could potentially give rise to conflicts of interest.
- maintenance of a watch list and a restricted list showing all financial instruments in whose case conflicts of interest may arise.
- obligation to disclose and monitor all personal transactions in financial instruments of the relevant employees whose activities may give rise to a conflict of interest.
- execution of transactions for investment funds in keeping with our execution principles (work instructions on inter-portfolio transactions, allocation process for securi-

ties transactions, “block transactions”) or in keeping with investor instructions.

- guidelines for the exercise of voting rights.
- rules on the acceptance of gifts and other benefits and perquisites from investors and business partners for our employees.
- regular employee training activities on compliance with market standards, for example through BVI seminars.
- compliance with the BVI rules of good conduct on safeguarding investment interests (e.g., market comparison, etc.).
- ensuring that employees in sales receive only a small portion of their compensation on a commission basis and that sales commissions are granted only in the interests of investors by establishing a compensation system for executive managers and employees whose activities have a material impact on the risk profiles of the investment funds managed.
- determining a threshold value for transaction activity to avoid unnecessary transaction costs (“churning”) and measures in the event that this threshold is passed.
- due skill, care and diligence in selecting the outsourcing companies and contractual agreements to prevent, identify and, where applicable, disclose, conflicts of interest.

Among other things, an obligation on the part of the outsourcing companies to document personal transactions by their relevant persons and present this information to Lazard upon request.

- routing commissions for investment shares included in the AIF to the AIF in the amount arranged with the investor.
- creation of organizational procedures as part of the approval process for new products.
- principles for the granting of rebates, “rebate agreements.”
- ensuring reliable data as a basis for decision making for the risk management function.
- preparing a conflict register and including therein measures for the handling of conflicts of interest.

5. How are conflicts of interest monitored?

We keep records of conflicts of interest and potential conflicts of interest, noting for which kinds of activities of the AIFM or activities performed on its behalf a conflict of interest has arisen or could arise where the risk that the interests of one or more AIFs or UCITS or investors therein could suffer harm is substantial, and we update these records regularly. An annual evaluation of possible conflicts of interest is performed in that the specific departments complete a survey. For newly arising conflicts of interest, a reporting form that is provided to employees must be used. A control of possible conflicts of interest also takes place within the scope of the annual outsourcing controlling of the outsourcing companies by the relevant outsourcing delegates. If a conflict of interest arises after the service agreement has been entered into, our outsourcing companies are required, within the scope of the service level agreement, to notify us of material conflicts of interest. For purposes of evaluating and reviewing whether suitable corrective action has been taken to eliminate violations, the executive management receives quarterly, and at least once annually, written reports from the compliance department on actual and potential conflicts of interest. The management and processing of conflicts of interest is documented in the work instructions on conflicts of interest.

- Reviewing the existence and appropriateness of procedures for preventing and managing conflicts of interest of Lazard Asset Management LLC and Lazard Asset Management Ltd.

6. What happens if a conflict of interest is unavoidable?

Should a conflict of interest be unavoidable in any particular case despite the precautions described above, the compliance department must be notified without delay. Lazard will strive to resolve the conflict of interest by disclosing the necessary

details and weighing all of the interests involved. In the process, the interests of investors take precedence over those of Lazard or the Lazard group of companies and those of employees and managers of Lazard as a basic principle. Where there is a conflict of interest between investors, the relevant interests and concerns of the investors must be weighed against each other as well as possible. Where there is no obligation of disclosure and disclosure seems productive in terms of resolving the conflict of interest and there are no legal reasons such as bank secrecy or other reasons conflicting with disclosure, Lazard is permitted to disclose the conflict of interest to the investors involved in order to bring about an amicable resolution.

7. Disclosure of conflicts of interest

Where the organizational arrangements we have made to identify, prevent, manage and monitor conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to investors' interests will be prevented, we will disclose the conflict of interest to the investors in writing in the form of a permanent data storage medium before undertaking business on their behalf, and develop appropriate policies and procedures.