



Conflicts of Interest Policy

November 2015

EXECUTIVE SUMMARY

Abalone Asset Management Limited (the “Company”) conducts its business according to the principle that it must manage conflicts of interest fairly, both between itself and its clients and between one client and another. As a financial services provider the Company may face actual and potential conflicts of interest. The Conflict of Interest Policy (the “Policy”) is to take reasonable steps to maintain and operate effective organisational and administrative arrangements to identify and manage relevant conflicts. The Board of Directors are responsible for ensuring that the Company’s systems, controls and procedures are adequate to identify and manage conflicts of interest. The Compliance Officer shall assist the Company in the identification and monitoring of actual and potential conflicts of interest.

1.0 – SCOPE

For the purposes this document this Policy applies to those conflicts of interest that may give rise to a material risk of damage to the interests of a Client. Conflicts of interest may arise between:

the Company and a client;

an employee and a client; and

two or more clients of the Company in the context of the provision of services by the Company to those clients;

Accordingly, the Policy is designed to identify, assess, manage and if appropriate, disclose all potential and actual conflicts of interest in the Company's business.

2.0 – TYPES OF CONFLICTS

The Company undertakes investment management, and other services, on behalf of clients. For the purposes of identifying the types of conflict and potential conflict that arise which may entail a material risk of damage to the interests of a client, the Company must take into account whether the Company or a relevant person, or a person directly or indirectly linked by control to the Company:

Is likely to make a financial gain, or avoid a financial loss, at the expense of a client;

Has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;

Has a financial or other incentive to favour the interest of another client or group of clients over the interests of a client;

Carries on the same business as the client; or

Receives or will receive from a person other than a client an inducement in relation to a service provided to the client, in the form of monies, goods or services other than the standard commission or fee for that service.

3.0 - MANAGING CONFLICTS

3.1 – GOVERNANCE

The Company has robust governance arrangements and management oversight of the business. Key business decisions are taken by the Board who understand the Company's obligations to manage and mitigate conflicts of interest.

The Compliance Officer is tasked with identifying conflicts of interest and reports directly to the Board. Management information relevant to identifying conflicts is reviewed by the Compliance Officer (including risk reports, monitoring of account and position statements produced by the Company's funds' third-party administrators, etc.). The Company has a Conflicts Register (see section 3.7 below) that seeks to identify and mitigate the Company's potential and actual conflicts of interest. This Policy shall be reviewed at least annually by the Board of Directors.

3.2 – SEGREGATION OF ROLES

The Company has defined and clear reporting lines. An organizational chart is maintained by the Compliance Officer. The Company has structured its senior management to appropriately segregate duties so as to avoid conflicts of interest wherever possible.

The Board has determined, in light of its current organizational chart and the seniority and experience of its Compliance Officer, that it is not necessary to engage external compliance consultants to advise on the Company's compliance program or to undertake independent monitoring of the Company's regulatory obligations (including management of conflicts of interest).

3.3 – REMUNERATION

The Company has a documented Remuneration Policy detailing the Company's approach to remuneration and compensation arrangements. The Company's interests and the staff's interests are aligned with those of the Company's clients. The fixed level of remuneration, and the portfolio risk management arrangements, minimize and manage potential conflict where too much risk is being taken with a client's portfolio in order to increase potential fees.

3.4 – PERSONAL CONFLICTS

Staff and Directors are required to disclose in writing any conflicts of interest upon commencement of employment with the Company and on a periodic basis. Staff and Directors will disclose any conflicts of interest directly to the Compliance Officer and to the Board.

3.5 – DISCLOSURE TO CLIENTS

The Company discloses to its clients, in its offering memoranda and other documents, all material conflicts in sufficient detail so as to allow the client to take an informed decision in relation to the service offered. If the Company's arrangements to manage a potential conflict of interest are not sufficient to ensure with reasonable confidence that the risk of damage to that client's interests is prevented, the Company will inform the client in writing or on the Company's website.

3.6 – POLICIES AND PROCEDURES

The Company has comprehensive policies and procedures, which are designed to establish consistent controls to manage and mitigate conflicts. These are reviewed regularly by the Company and furthermore when the Company's business changes, to ensure the policies and procedures are current and effective.

3.7 – CONFLICTS OF INTEREST REGISTER

Potential & Actual Conflicts	Mitigating Controls
<p>Valuation - Where the Company may exercise a significant amount of influence over valuations of hard-to-value securities in its favour, which may increase fees and/or assets under management.</p> <p>The ability of the Company to influence the reported valuation of its fund could be to the detriment of clients entering or exiting the fund.</p>	<p>Documented Valuation Policy.</p> <p>Independent Administrator, on behalf of the Fund with respect to the Funds that the Company manages.</p> <p>The Company will conduct initial and ongoing due diligence on any external valuers.</p>
<p>Different strategies and mandates – Where different objectives and mandates might lead to a conflict between the Company and its clients.</p>	<p>Each Fund and client always managed in the best interests of each client.</p>
<p>Exit phase – delaying wind down of a fund in order to prolong receipt of fees.</p>	<p>Fund always managed in the best interests of client.</p>

<p>Independent performance of risk management function – the risk management function should operate independently from other business functions, in particular, portfolio management.</p>	<p>The Company has an independent Risk Manager, whose remuneration is not based upon any other business function, and reports directly to the Board of the Company.</p> <p>Furthermore, the arrangement is monitored by the Company's senior management</p>
<p>Delegation – Where the Company delegates key functions to third parties that have other clients and/or competing obligations.</p>	<p>Delegates to approve this policy, or confirm similarity to own policy/-ies.</p> <p>Monitoring of delegation.</p> <p>Written agreements with third parties.</p>
<p>Liquidity profile – Redemption requests where the Fund invests in illiquid assets.</p>	<p>Documented liquidity policy.</p> <p>There is alignment of liquidity profile, liquidity limits and stated investment objective/strategy.</p> <p>Liquidity stress testing.</p>
<p>Preferential access given to certain clients for co-investment</p>	<p>Preferential access not typically granted.</p> <p>Any side-letters to be disclosed to other clients.</p>
<p>Remuneration – Where portfolio manager remuneration is performance based, there is an incentive to manage funds in a more speculative and risky manner.</p> <p>Care needs to be exercised to ensure that managers do not seek to improve performance by taking on overly risky positions close to a valuation date in the hope</p>	<p>Remuneration is on a fixed basis.</p> <p>Trading strategy complies with the investment mandate set out in the offering documents or investment management agreement.</p> <p>Compliance with restrictions is monitored on a regular basis, by risk management function.</p>

of reaching the performance target.	
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Potential & Actual Conflicts	Mitigating Controls
Personal Account Dealing - Where staff undertake personal securities transactions while potentially in receipt of material non-public information or front run client accounts.	Personal Trading Policy. Account Disclosure. Excluded Products. Prohibition on use of inside information.
Gifts & Inducements – Where gift and inducement given to or received by brokers/service providers influence the business relationship between the Company and its service providers to the detriment of the client.	Disclosure of all material gifts, whether monetary or non-monetary.
Outside Business Activities & Directorships - Where staff undertake outside business activities which may conflict with the interests of the accounts and funds managed by the Company.	Disclosure of all outside business activities.

4.0 – BREACHES

Any significant breach of this Policy or proposed changes to the Policy that could have a significant impact on the Company’s risk profile or resources will be promptly notified to the MFSA in accordance with its rules.

5.0 – REVIEW

The Board will review this Policy at least on an annual basis. As part of this process the Board will seek the input from the Risk Manager and the Compliance Officer and other control functions and independent third parties as required.