

Conflicts of Interest Policy

Definitions

AIF or Fund	means Alternative Investment Fund (a collective investment undertaking) managed by the AIFM, and which (i) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) which is not subject to UCITS regulation (Directive 2009/65/EC).
AIFM	means Northern Horizon Capital AS which is an alternative investment funds manager and whose regular business is managing one or more AIFs, registry code: 11025345.
Appendix or Appendices	mean the Policies and other documents (eg forms) that are inseparable part of the Manual.
CDR	means Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.
Employee	means any employee of the AIFM, Fund Manager and non-permanent staff working for the AIFM, e.g. seconded to or engaged by the AIFM on the service contracts.
Fund Manager	means a person who is appointed by the Management Board for each Fund and whose duty is to coordinate investment of the assets of the Fund and other activities related to the management of the Fund and to monitor that the Fund is managed pursuant to the provisions of legislation and Fund Rules. Duties and liability as well as requirements to the Fund Manager are further regulated in the IFA.
Fund Rules	means a document which stipulates the requirements for the Fund activities and the relationships between the AIFM and the Investors.
Group	means the AIFM together with all legal persons belonging to the same consolidation group with the AIFM.
IFA	means Investment Funds Act (in Estonian: <i>Investeerimisfondide seadus</i>).
Investor	means unit-holder or shareholder of the Fund.
Management Board	means the management board (in Estonian: <i>juhatas</i>) of the AIFM.
Regulation No 15	means the Regulation No 15 of the Minister of Finance of 20 May 2014 on the “Requirements to alternative fund manager and depository of investment fund managed by it”.
Staff	means the Employees, members of the Management Board and Supervisory Board and external consultants or any of them.

IFA § 57(3)	<i>Among other matters, the internal rules shall set out the following: the procedure for avoidance of conflicts between the interests of the management company and the personal economic interests of the managers and employees of the management company, including the procedure for avoidance of conflicts within the consolidation group if the management company belongs to a consolidation group.</i>
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IFA § 70(1)3)	<i>A management company is required to refrain from conducting transactions in which the interests of the management company are in conflict with those of a fund managed thereby and</i>
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of a client (conflict of interests) and, in the event a conflict of interests cannot be avoided, to act in the interests of the fund and the client.

IFA § 70(1)4 *A management company is required to ensure that conflicts of interests between the management company and the client thereof or between the management company and the fund or between the clients of the management company and the funds managed by the management company are avoided or as small as possible.*

IFA § 70³ *Management and avoidance of conflicts of interest.*

IFA § 280 *Avoiding conflicts of interest.*

Regulation No 15 Art. § 6 *If the measures established by the management company under § 70³ of the Act for managing and preventing conflicts of interest fail to ensure prevention of the risk of impairing the interests of a unit or shareholder, the management company shall inform the unit or shareholder, prior to entering into a transaction with them, of the general nature and source of the conflict of interest as well as of the procedure applied to avoid the conflict of interest.*

CDR Art. 30-36 *Requirements for managing conflicts of interest.*

In certain instances, the AIFM may face a situation which involves a conflict of interest. The AIFM should avoid conflicts of interests. Where such conflicts cannot be avoided, they must be identified, managed and monitored and, where applicable, disclosed. Conflicts management should prevent them from adversely affecting the interests of the AIFM, the Funds and Fund's Investors and to ensure that the AIFM, all Funds and the Investors in those Funds are fairly treated.

The Management Board ensures that conflicts of interests are avoided or are as small as possible between:

- (a) the AIFM, including its managers, employees or any person directly or indirectly linked to the AIFM by control, and the Fund managed by the AIFM or the Investors in that Fund;
- (b) the Fund or the Investors in that Fund, and another Fund or the Investors in that Fund;
- (c) the Fund or the Investors in that Fund, and another client of the AIFM;
- (d) two clients of the AIFM;
- (e) the AIFM and Group entities or persons otherwise directly or indirectly linked to the AIFM.

A conflict of interests is also a situation whereby the obligations of the AIFM in front of one the Investor would damage the interests of another Investor.

When identifying potential conflicts of interest issues the following circumstances are for example considered: is there a specific interest for the AIFM or its Staff in the outcome of the service provided to the Investor? Has the AIFM a financial or other incentive to favour the interest of another Investor or group of Investors over the interest of the Investor? Are there inducements in form of money, goods or services other than the standard commission or fee for the service involved? Are the best interests of the Fund and AIFM protected when a transaction is entered into with a Group entity or a person otherwise directly or indirectly linked to the AIFM?

Every member of the Staff must follow and comply with the ***Conflict of Interest Policy*** attached as Appendix 12 hereto which outlines the principles and guidelines that must be adhered to in order to prevent and manage any conflicts of interest both at Group and the AIFM level. The Management Board of the AIFM is responsible for proper implementation of the Conflicts of Interests Policy at the AIFM level.

The Staff of the AIFM must continuously make efforts to identify potential situations of conflicts of interests. When a member of Staff is uncertain whether a particular situation entails conflict of interest, he/she shall consult with the Compliance Function and its immediate supervisor.

For example, conflicts of interests and potential conflicts of interests may arise in the following situations:

(a) Confidentiality. Conflict of Interest may arise if confidential information is transferred to an unauthorised person;

(b) Partiality. Conflict of Interest may arise, if:

- the personal or economic interests of a member of the Staff acting on behalf of the Fund or the AIFM are contrary to the interests of the Fund or the AIFM; or
- member of the Staff is biased about the result of the transaction (e.g. due to a personal, family, friendship or similar relationship with the transaction counterparty);
- member of Staff is employed by another entity (including Group entity) or acts on behalf of another entity, or if the member of Staff in some other way shares a similar economic interest with an entity (including Group entity) that is not AIFM;

In case an actual or potential conflict of interests is identified by a member of Staff, it shall immediately report the situation to the Compliance Function. The Compliance Function records all such cases at the Register of Conflicts of Interest and advises the Staff member on measures to be taken for the prevention or mitigation of the conflict. In addition to registering the potential or actual conflicts of interest situation with the Compliance Function, Staff shall also report the situation to the Group Compliance accordance with clause 8 of the Conflict of Interest Policy.

It is up to Compliance Function to decide which measures are appropriate to mitigate the risk of damaging the interests of Investors and the Fund to the smallest possible extent. In certain cases it may be necessary to disclose the conflict of interest to the Investors prior to entering into the transaction or consulting the advisory board of a Fund, if a Fund has an advisory board in place, and handling certain conflicts of interests is within its competence. When a situation entails a conflict of interest that might materially damage the interests of the Fund or the Investors, the advisory board or the Compliance Function can suggest declining the proposed transaction.

If the implementation of one or more procedures or measures specified in the Conflicts of Interest Policy do not ensure the requisite degree of independence of the AIFM, the AIFM shall implement alternative or additional procedures and measures for achieving thereof. In such case the Management Board of the AIFM must be immediately notified thereof to ensure that decisions are made for acting in the best interests of the AIF and its Investors.

If the measures established by the AIFM for managing and preventing conflicts of interest fail to ensure prevention of the risk of impairing the interests of the Investor, the AIFM shall inform the Investor, prior to entering into a transaction with him or her, of the general nature and source of the conflict of interest as well as of the procedure applied to avoid the conflict of interest. In this case the AIFM notifies the Investors on a durable medium and substantiate the decision made.

AIFM acknowledges that certain situations involve conflict of interest by default due to the transaction counterparty. This is the case when the counterparty is a Group entity or is otherwise directly or indirectly linked with the AIFM. Since in these situations conflicts of interest cannot be completely avoided or prevented, they need to be treated independently to make sure the interests of the AIFM, Fund or the Investors are not damaged. Therefore the Compliance Function or, in case the Fund has an advisory board in place, and handling certain conflicts of interests is within its competence, the advisory board need be consulted and proceeding with the transaction is subject to either Compliance Function's or advisory board's approval. The Compliance Function or the advisory board, within its competence, will base its decision solely on the best interests of the AIFM, the Fund and the Investors and grant its approval only if the services are provided or products bought on customary market conditions.

The Conflict of Interest Policy shall be provided to the Investors in durable medium or by means of a website. In the latter case, the Investor shall be notified of the address of the website where the information may be accessed; the AIFM shall ensure that information was up to date and accessible continuously.