



Conflict of interest policy and procedures

SEBI, in its circular no. CIR/MIRSD/5/2013 dated August 27, 2013, issued general guidelines (SEBI Guidelines) for dealing with conflicts of interest situations by all the SEBI registered intermediaries and their Associated persons. The said guidelines require the Firm to maintain and operate effective organizational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage any conflicts of interest.

A conflict of interest is defined in the said guidelines as a conflict which arises in any area of the Firm's business in the course of providing its services to its clients which may benefit the Firm or its Associated Persons whilst potentially materially damaging the interest of its clients to whom the Firm owes a duty to be fair and transparent. There may be a conflict where the Firm or an Associated Person of the Firm:

- is likely to make a financial gain (or avoid a loss) at the expense of the Firm's clients.
- is interested in the outcome of the service provided to the Firm's clients where the interests of the Firm are distinct from that of its clients.
- has a financial or other incentive to favour the interests of one client over another.
- receives money, goods or services from a third party in relation to services provided to the client other than standard fees or commissions.

The Firm has sought to identify conflicts of interest that exist in its business and has put in place measures it considers appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on its clients.

SEBI guidelines require the Firm and its Associated Persons to comply with its fiduciary responsibilities and ensure the following –

- high standards of integrity in the conduct of its business;
- fair treatment of clients and no discrimination amongst them;
- avoidance of conflict of personal interest with the client and primacy of clients' interest;
- appropriate disclosure to the clients of possible source or potential areas of conflict of interest;
- reducing the opportunities for conflict through prescriptive measures;
- appropriate restrictions on transactions in securities while handling a mandate of issuer or client;
- not to deal in securities while in possession of material non public information;
- not to communicate any material non public information
- not to contribute in any way in manipulating the demand for, or supply of, or to influence prices of, securities.

"Associated Persons" means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor in India.

"Principal" means persons who are actively engaged in the management of the intermediary's securities business including supervision, solicitation, conduct of business and includes; (1) Sole Proprietors (2) Managing Partners and (3) Managing Director/Whole time Directors.

"Agent" means any person who is engaged in the activity of sale or distribution of securities on behalf of an issuer or a distributor for a commission or any other consideration.

"Distributor" means any person engaged by an intermediary or an issuer for the purpose of sale or distribution of securities.



- not to have an incentive structure that encourages sale of products not suiting the risk profile of the clients;
- not to share client information for the Firm's or the Associated persons' personal interest;

Conflict of Interest Policies and Procedures

The Firm has put in place the following conflict of interest related policies and procedures to enable the Firm to ensure compliance with the aforesaid SEBI Guidelines and other applicable provisions of the Advisers Act, Advisers Rules and applicable Federal Securities Laws:

- a) The Firm's policies related to investment matters prohibit "principal and cross transactions" unless these are permitted under applicable regulations and prior consent of the client is obtained as provided under the Advisers Act and Advisers Rules and other applicable rules and requirements are complied with by the Firm.

b) Investment of client portfolios in affiliated funds:

The Firm may cause its clients to invest in Quantum Long Term Equity Value Fund (QLTEVF) a fund launched by its affiliate; Quantum Mutual Fund (QMF) or other funds associated with QMF (collectively, the "QMF Affiliated Funds"). Because of this relationship with QMF, the Firm faces inherent conflicts of interest in causing its clients to invest in any QMF Affiliated Funds, including QLTEVF, in preference to other funds whose sponsors are not affiliated to it.

To address the conflict of interest that such investments present, the Firm: (a) shall ensure that its clients do not bear "double" fees in connection with their investments in QMF Affiliated Funds and (b) in case the client is a fund, the aggregate expense ratio of the fund shall not under any circumstances exceed the maximum expense ratio permissible under the fund's offering memorandum and (c) the Firm shall make such investments only if: (i) in case of a private account client, the portfolio management agreement with that client (Client IMA) allows investments in the QMF Affiliated Funds; and (ii) in case of a fund client, the fund's offering memorandum permits investments in the QMF Affiliated Funds and contains adequate disclosures about the conflicts of interest that the Firm faces in connection with those investments and (iii) in the absence of a) Client IMA allowing such investments or b) adequate disclosures of conflict of interests in the fund offering document, informed consent of the client is obtained by the Firm.

c) Fair treatment to all Clients

As a policy, the Firm shall endeavor to treat all its clients fairly when taking investment action with regard to purchases, sales in secondary market or new issues. Each client has unique needs, investment criteria, and investment objectives so that not all investment opportunities are suitable for all clients. The Firm must make every effort to treat all its clients in a fair and impartial manner over time.

Where trades are made for multiple Foreign Portfolio Investors (FPIs) clients, the Firm undertakes aggregated or bunched trades. The Firm sends client wise orders to the broker, who aggregates these orders and releases the aggregated order on the stock exchange. The executed trades (whether fully or partially filled) are allocated to the relevant clients based on

an allocation ratio decided prior to the execution of trades, at the weighted average execution price of the securities aggregated or bunched on behalf of multiple clients.

It is the policy of the Firm that once an order has been placed with a broker for a client, it must not be re-allocated to a different client unless there is a compelling reason for the re-allocation. The re-allocation

must be done only with the prior approval of the MD & Group Head - Equities and the CCO. Any such reallocation of a trade will be recorded on the reallocation register. The reallocation register will record the trade details, and the rationale behind the reallocation of the trade.

In case of) individual retail clients, orders are placed and executed individually; and are not bunched or clubbed.

Where the Firm does not, or for some reason is unable to, aggregate trades for multiple clients it will use a random trade rotation process in which one group of clients may have a transaction effected before or after another group of clients. These trade rotation practices may result in a transaction being effected for any client's account near or at the end of the rotation, and this could result in that client's account bearing the market price impact, if any, of those trades executed earlier in the rotation. This may result in client's account receiving a less favorable net price for the trade. However, the Firm's trade rotation policies are typically designed to ensure clients are treated equitably and fairly over time.

In exceptional circumstances where the Firm is of the opinion that the random trade rotation process may not result into fair treatment to client(s), it may deviate from this process and adopt appropriate alternative mechanism of trade allocation and execution with the approval of the MD & Group Head-Equities and the CCO for reasons recorded in writing.

The CCO or the designated officer reviews the trades in each client account on a daily and monthly basis to ensure that no client is being given preferential treatment and that the investment actions taken for each account are suitable for the account's investment objectives. The CCO or the designated officer in the course of the review checks whether trading in one account is being used to benefit a particular client (favored client).

Additionally, for the accounts that are managed using the same strategy the performance analytics team (PA Team) computes the portfolio returns for each account on a monthly basis and provides the comparative client performance return summary sheet to the compliance team. The Compliance team reviews it on a monthly basis to check if the returns are consistent across all accounts invested in the same strategy. If there is any deviation beyond the permissible limit as stipulated by the CMC, the Compliance team reports it to the PA Team and seeks clarification. The PA Team then analyses the portfolios, trades, cash flows, investment restrictions and other relevant factors. The PA Team determines the cause of the variance (e.g., a trading restriction applicable to a particular client or a cash flow experienced by a particular portfolio). The PA Team sends out clarification to the fund manager (FM) for necessary action with copy to compliance team and maintains a record of the same. The said data is for the last month of the quarter and it is highlighted to the CMC on a quarterly basis for its review.

d) Managing of conflict of personal interest with the client and primacy of clients' interest;

It is the Firm's policy that the clients' interests come before employees' personal interests and, except to the extent otherwise provided in client agreements, before the Firm's interests.

Personal transactions in securities by employees and the directors are allowed in accordance with the "Firm's Guideline for Personal Securities Transactions" to ensure that, the Firm and its employees must not take advantage of the Firm's or their own position of trust with and responsibility to clients for the benefit of anyone other than the clients.

Also, proprietary orders, if any shall be placed in such a manner that there is no conflict with the clients' orders. Proprietary accounts of the Firm shall generally not be bunched with client orders and are executed after client orders have been filled.

e) Disclosures to the Clients

The Firm must disclose fully all material facts about the conflicts of which it is aware between the Firm's and/or its employees' interests on the one hand, and clients' and/or investors' interests, on the other (including related party transactions) in all its "Disclosure Documents" including but not limited to Form ADV 2A, Request for Information document and the SEBI Disclosure Document.

As a policy of the Firm, all employees must operate on the Firm's and their own behalf at all times consistently with the Firm's disclosures to and arrangements with clients regarding conflicts and the Firm's efforts to manage the impacts of those conflicts;

f) Managing Flow of information

The Firm has implemented information flow barrier between the various departments where information is made available to other departments only on a need to know basis.

Additionally, this Manual has prescribed the policies that employees need to follow to maintain privacy and confidentiality of information of the clients that employees may receive in the course of their employment with the Firm.

g) Handling of material non-public information

The Firm as a policy prohibits any employee from trading, either personally or on behalf of others, including for clients, while in possession of material non-public, or unpublished price sensitive information, or to act upon, misuse or communicate material non-public, or unpublished price sensitive information to others in violation of the applicable law.

If an employee believes that he or she is in possession of information that is material, non-public or unpublished price sensitive information, or has questions as to whether the information is material, non-public or unpublished price sensitive information, he or she should take the following steps:

- Report the matter immediately to the CCO, who will document the matter.

- Refrain from communicating the information inside or outside the Firm other than to the CCO.

After reviewing the issue, the CCO will: (i) notify the employee that trading in the security is restricted; or (ii) notify the employee that trading in the security is not restricted; or (iii) take such other action as he or she deems appropriate. This may include imposing firewalls or other safeguards to prevent the communication of the material, non-public or unpublished price sensitive information.

Also, the “Social Media Policy” of the Firm restricts the employees from communicating to any person, any material non-public or unpublished price sensitive information which they may have received while dealing in securities on behalf of the Firm’s clients in the course of the employment with the Firm.

h) Procedures to manage certain other types of conflicts

(i) In case the Firm pays any commission/expenses to solicitors or distributors who market the Firm’s advisory services, the Firm makes appropriate disclosures to the clients in accordance with applicable laws and regulations.

(ii) While voting on behalf of its clients, conflict of interest may arise because of the Firm or its employees having any financial, business or personal relationship with the investee company or the investee company being a group company of the Firm. In such an event the Firm will vote in accordance with the guidelines prescribed in its “Proxy Voting Policy” section of this Manual or any other client specific proxy voting guidelines which the Firm has agreed to follow.

(iii) As per the Firm’s policy, the Firm shall not share the client’s information with third parties except to comply with appropriate legal and regulatory requirements. The clients’ information will be shared with a third party to complete financial / non-financial transaction request of its clients after ensuring that the Firm has executed appropriate agreement to maintain confidentiality of clients’ information.

(iv) No employee can receive or provide gifts from/to any client or the service provider except in accordance with the “Gift & Entertainment Policy” as laid down in this Manual.

(v) No employee can acquire, either directly or indirectly, financial interests in an organization (except investment in publicly issued or listed equities in accordance with the Firm’s Personal Securities Transaction Policy) with which the Firm does business without prior disclosure and approval of HR & CCO. The Employee shall self- declare any financial interest in other organization / entity with whom the Firm is having business relationship or proposes to engage into any business relationship.

(vi) The Firm is availing research/advisory services from Quantum Asset Management Company Private Limited (QAMC) our Affiliated Adviser, the 100% subsidiary of the Firm. We obtain such services from QAMC as the research philosophy of QAMC is closely aligned with our research philosophy and we pay QAMC for these services out of the management fees that we receive from our clients. Our evaluation of our Affiliated Advisers’ qualifications, suitability and performance as research/advisory services providers involve inherent



conflicts of interest that would not be present if we were instead evaluating independent service providers. Other than these inherent conflicts of interest, we do not believe that our relationship with our Affiliated Advisers creates a material conflict of interest with our clients.
