
Pharus Management Lux S.A.

REMUNERATION POLICY

As of May 2020

INTRODUCTION

Pharus Management Lux S.A. (hereafter the “MANCO”) has established and applies a remuneration policy (hereafter the “Remuneration Policy”) in accordance with the principles laid out under the Directive 2011/61/EU (“AIFMD”) and Directive 2009/65/EC as amended by Directive 2014/91/EU (“UCITS V”), and by Directive 2014/65/EU (“MIFID II”) and any related legal & regulatory provisions applicable in Luxembourg including the Section 5.5.9. of the Circular CSSF 10/437 and 18/698, the ESMA Guidelines 2016/575 and 2016/579.

This Remuneration Policy is intended to be applicable for the MANCO and its future branches¹. Under UCITS V, details of the remuneration policy must be included in the prospectus, the Key Investor Information Document (KIID) and the annual report.

Under the Law of 12 July 2013 on alternative investment fund managers (hereinafter, the “AIFM Law”), details of the remuneration policy must be included in the prospectus and details of the remuneration for the financial year should be provided in the annual report.

The prospectus must include either details of the remuneration policy itself, or a summary of that policy and a statement that the details of the policy are available on a specified website and that a paper copy will be made available free of charge upon request. The KIID must include a statement to the same effect.

The UCITS’ annual report must disclose the aggregate remuneration paid by the UCITS Manager and by the UCITS, to Identified Staff, together with the number of beneficiaries and, where relevant, performance fees paid by the UCITS. The aggregate amount of remuneration must be broken down by category of employees or other staff members.

The annual report must also describe how the remuneration and benefits have been calculated, detail the outcomes of the periodic reviews of the remuneration policy and its implementation and contain any material changes to the adopted remuneration policy.

The Remuneration Policy covers the remuneration of the following categories of the **Identified Staff**:

- Board Members
- Chief Executive Officer (CEO)/General Manager/Managing Director
- Senior Management (Conducting Persons)
- risk takers and control functions
- employees who manage UCITS or UCIs
- employees who provides discretionary portfolio management and investment advisory services
- any employees receiving any type of remuneration that takes them into the same remuneration bracket as Senior Management and risk takers
- any employee of the MANCO, including employees and managers of the Italian Branch.
- all staff members of the Company as set out under Appendix II of the ESMA Guidelines on sound remuneration policies under the UCITS Directive and AIFMD

The MANCO has adopted, for the aforementioned categories of persons identified as risk-takers under UCITS V and AIFMD certain remuneration principles that are consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the managed funds.

The Remuneration Policy is also in line with the business strategy, objectives, values and long-term interests of the managed funds and is consistent with the principles relating to the protection of clients and investors in the course of services provided and the avoidance of conflict of interest as a result of the implementation of the said strategy.

¹ The updated version is applicable starting from the financial year 2019

Compliance with the remuneration rules is assessed when processing the Due Diligence and ongoing monitoring on Business Partners when appropriate

These principles shall apply to remuneration of any type paid by the managed funds, to any amount paid directly by the MANCO itself, and to any transfer of shares of the managed funds, made to the benefits of identified categories of the Identified Staff.

These principles shall apply, mutatis mutandis, also to the remuneration of the persons of the MANCO involved in the provision of discretionary portfolio management and investment advisory services to clients. In particular, the area of business that provides collective portfolio management (either UCITS or AIFs) shall be segregated from that which services its other clients under discretionary portfolio management and financial advisory, so that to ensure that the remuneration of advisors or portfolio managers acting for other clients is not materially influenced by the level of fees received for the management of the UCITS or AIF assets.

1. RESPONSIBLE PERSON

The remuneration policy is defined by the Board of Directors of the MANCO (the BOD). The BOD is responsible for the implementation of the remuneration policy.

2. SUPERVISION AND REVISION OF THE REMUNERATION POLICY

Any decision made in relation with the remuneration of the Identified Staff will be specifically documented. The implementation of the remuneration policy will be regularly reviewed by the Internal Auditor of the MANCO and its compliance with Luxembourg legal requirements will also be reassessed regularly by the Compliance function of the MANCO. Any finding or need for update identified by one of these functions will be directly reported to the BOD.

In the implementation and supervision of the remuneration, any event, circumstances or indication that may give rise to a potential risk of conflict of interest will be specifically documented. Any change or update of the remuneration policy will be submitted to the BOD for approval.

3. APPLICABLE LAWS AND PROPORTIONALITY PRINCIPLE

The Remuneration Policy is compliant with:

- The provisions set by the Directive 2009/65/EC as amended by Directive 2014/91/EU (“UCITS V”), transposed into the Luxembourg Law of 17 December 2010 relating to undertakings for collective investment.
- The provisions set by the Directive 2011/61/EC on the Alternative Investment Fund Managers (AIFMD), transposed into the Luxembourg Law dated 12 July 2013;
- The ESMA guidelines on sound remuneration policies under the UCITS Directive, published on 14.10.2016 (ESMA GUIDELINES ESMA/2016/575);
- The CSSF Circular 10/437 on Guidelines concerning the remuneration policies in the financial sector issued on 1 February 2010;
- The provisions set by Directive 2014/65/EU (“MIFID II”) as completed by the EU Delegated Directive 2017/593 as transposed into the Grand Ducal Regulation 30 May 2018 in particular with reference to inducements in the performance of investment advisory and discretionary portfolio management services;
- The ESMA Q&A 35-43-349 on MIFID II and MiFIR investor protection and intermediaries topic;
- The CSSF Circular 10/437 and 18/698.

The ESMA Guidelines 2013/606 on Guidelines on remuneration policies and practices under MIFID

framework

In light of its size, nature and scope, the MANCO will apply proportionality aspect as outlined under Guidelines on sound remuneration policies under the UCITS Directive ESMA/2016/575, which are in more detail described under the attached “Proportionality Principle Assessment” (**ANNEX I**).

4. VALUATION FUNCTION FOR THE AIFs

The valuation task of AIFs is functionally independent from the Portfolio Managers and the MANCO ensures that conflicts of interest are mitigated and that undue influence upon the employees is prevented.

5. REMUNERATION COMPONENTS

The remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee rank and professional activity as well as market practice.

The components are:

- Fixed remuneration
- Variable remuneration (or “Bonus”)

In any case, the MANCO ensures that fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration, to make non-payment of the variable remuneration.

Fringe benefits can be attributed in a case by case basis accordingly to the Board agreement or management from time to time and will be reflected in the employment agreement, in line with the role and responsibilities in the Company and in line with the market practices.

Discretionary pension benefit as component of remuneration are not foreseen.

The use of personal hedging strategies or insurance to undermine the risk alignment effects embedded in identified staff remuneration arrangements with regard to deferral and retention period requirement are forbidden

6. FIXED REMUNERATION

The Board Members may receive for their participation to the board meetings a total amount of “tantièmes” up to Eur 150.000.- per year, allocated among the members according to the Board decision.

The fixed remuneration of the Chief Executive Officer, the Senior Management and the other employees is negotiated at the beginning of the relation with the MANCO on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions. In addition to the negotiated remuneration, the MANCO may offer to the employees various optional advantages (e.g. fringe benefits as company car, cell phone, ticket restaurant, car park, pension plan, etc...).

The fixed remuneration can be reviewed annually in the contest of the annual performance assessment of the employees.

7. VARIABLE REMUNERATION (or BONUS)

Only variable remuneration in cash is envisaged by the MANCO, the payment in instruments is not envisaged. The payment of a variable remuneration depends on the achievement of one of the two following “Financial

realized objectives” during the achieved year “the relevant year”:

- a free cash flow of EUR 250.000
- or
- EBIT margin (Earnings Before Interest & Taxes) of 20% before special items.

If one of the two “financial realized objectives” will be reached the “Bonus” will be paid.

The Bonus pool will be determined from time to time and up to 25% of the results before tax of the Company.

The personnel of MANCO must be informed on the remuneration policies and procedures adopted and on the criteria that will be used to determine their remuneration and the appraisal process. The appraisal process and the remuneration policy shall be properly documented and transparent to the individual Identified Staff members concerned.

In particular, the performance measurement process which combines the evaluation of the performance of the identified staff (excluded the CEO)² with the evaluation of the performance of the Company, taking into consideration the performance of the business unit of the employee, is undertaken via a specific performance appraisal form (**ANNEX II**) which in its turn takes in consideration both non-financial criteria and qualitative criteria for the assessment of the performance that will determine the variable remuneration and which the employee is requested to perform first as a self-assessment of these. The appraisal form fulfilled by the employee first is after transmitted to the responsible of the business unit to which the employee belongs and finally is validated by the Chief Executive Officer (CEO) who also double checks that the personal objectives of the employee are linked to the ones of the Company.

The HR function has to ensure good practices in terms of linking variable remuneration to the evaluation process in line with corporate strategy, legal framework and market best practices.

The staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. Anyway, the bonus is capped for all the employee accordingly to the principle stated at section 2 of the Remuneration Policy.

The final result deriving from the appraisal form agreed and as defined at section 2 of the Remuneration Policy can also takes in consideration a multi-year framework for the performance assessment which is based on the previous 2 years.

The global amount allocated to the variable remuneration depends on the financial results of the MANCO and it will be determined according to the prudential rules and will effectively take into account the exposure to risks of the MANCO and the HR function will ensure good practices in terms of linking variable remuneration to the evaluation process in line with corporate strategy, legal framework and market best practices.

The variable remuneration of the employees as resulting from the appraisal process described above is proposed to the BOD by the Chief Executive Officer during the first useful meeting are at least during the meeting approving the annual accounts of the year to which the Bonus relates.

The Bonus will be paid to the concerned person at the latest the 30th of May following the end of the concerned financial year, under the condition that, at that given moment, the termination of the employment agreement has not been notified.

² The assessment of the performance of the CEO is directly performed at the BOD level without the use of the appraisal form and is defined in line with the principle stated in the remuneration policy.

The MANCO will at no point in time be obliged to grant a variable remuneration.

1. Chief Executive Officer or Managing Director

The Chief Executive officer's (or Managing Director) Bonus is decided by the BOD, during the first useful board meeting or at least during the meeting approving the annual accounts of the year to which the Bonus relates, based upon the margin deriving from the business activity, the overall results of the MANCO, its quantitative and qualitative objectives.

The Chairman of the BOD will decide on the amount of the Chief Executive Officer's Bonus which may reach a maximum of 10% of the gross result and/or 5% of the margin deriving from the business activity of the MANCO.

2. Identified Staff (excluded CEO, Senior Management)

To establish the amount of the Bonus due to each member of the Identified Staff an "assessment of the performance in the position" will be put in place following these rules:

At the end of each year the performance of each relevant employee will be reviewed by the responsible Conducting Person together with the CEO/General Manager using the attached "Performance Appraisal Form". The results of the appraisal will correspond to a "coefficient" as represented in the following table:

O – Outstanding	1,5
E – Exceeds Expectation	1
M – Meets Expectation	0,7
I – Improvement Needed	0,4

The "coefficient" will be used to determine the Bonus according to the following formula:

$$\begin{array}{c} \text{Monthly gross remuneration paid during the relevant year to the employee} \\ \times \\ \text{Coefficient} \\ = \\ \text{Bonus} \end{array}$$

This bonus can be adjusted taking into consideration the performance of the business unit of the employee and the performance of the previous 2 years. The Bonus is capped and may not exceed 20% of annual gross remuneration of the employee.

3. Senior Management (excluded CEO)

At the end of each year the performance of each member of the Senior Management be reviewed by the Chief Executive Officer using the attached "Performance Appraisal Form". The results of the appraisal will correspond to a "coefficient" as represented in the above table.

The "coefficient" will be used to determine the Bonus according to the above formula in line with the principle above.

This bonus is capped and may not exceed 25% of annual gross remuneration of the employee.

8. REMUNERATION OF THE DELEGATED CHARGED OF THE PORTFOLIO MANAGEMENT FUNCTION

The business model adopted by the MANCO may foresees the delegation of the portfolio management function. When delegating the portfolio management function, the MANCO will check, during the initial and

ongoing due diligence performed on yearly basis, that:

- the entities to which portfolio management function has been delegated should be subject to regulatory requirements on remuneration that are equally as effective as those applicable under applicable UCITS and AIFM laws and regulations; and
- appropriate contractual arrangements should be put in place in order to ensure that there is no circumvention of the remuneration rules. These contractual arrangements should cover any payments made to the delegates' identified staff as compensation for the performance of portfolio or risk management activities on behalf of the MANCO.

In accordance with (Circular 10/437) and in view of the size of the assets underpinning the clients to whom the MANCO provides services, as well as the nature of the investment policies and strategies, the complexity and size of its organization, reflected by an excess of 12 employees as of 30/05/2020, the MANCO is in the opinion the MANCO can apply the proportionality at the level of its Identified Staff that may lead to the neutralization of some remuneration policy requirements such as:

- retention policy,
- deferral of part of the variable remuneration or multi-year framework principle,
- ex-post incorporation of risk,
- establishment of a remuneration committee.

The application of the proportionality principle can be justified due to the below determined facts and is subject to periodical review and following any important change in the structure of business model adopted by the Company:

1. Assessment of the criteria for the Company

a) Size

As of 30/04/2020, the assets under management of the following UCITS, SIF and RAIF were around EUR 1.8 billion and as such not substantial in comparison to the size of the Luxembourg market size:

n.9 UCITS SICAVs:

- 1st SICAV with an AUM of around 26 Mio
- GFG Fund SICAV with an AUM of around 332 Mio
- Emerald SICAV with an AUM of around 103 Mio
- Kite Fund SICAV with an AUM of around 69 Mio
- Multi Stars SICAV with an AUM of around 292 Mio
- Pharus SICAV with an AUM of 659 Mio
- Timeo Neutral SICAV with an AUM of around 100 Mio
- Swissness to be launched

n.3 SIF/AIF SICAVs:

- Bright Stars SICAV-SIF with an AUM of around 31 Mio
- Swan SICAV-SIF with an AUM of around 160 Mio
- MH Fund SICAV-SIF to be launched

n.3 RAIF SICAV

- Ritom SICAV-RAIF with an AUM of around 11 Mio
- United SICAV-RAIF with an AUM of around 1.7 Mio
- Nabuko SICAV-RAIF to be launched

Discretionary Portfolio Management and Financial Advisory services are not yet been launched. Nonetheless, according to the business plan of the service the following figures are expected:

- Discretionary portfolio management service: AUM 120 mio
- Advisory service: wealth assets 3 mio

According to the above considerations the MANCO can be considered as having a small size.

b) Internal Organization

- The MANCO's capital is 750.000 Euro.
- The MANCO fully belongs to a Swiss company Pharus Holding S.A.
- The MANCO does not have any branch or subsidiary yet.
- As of 30/05/2020 the MANCO had 12 employees including 2 senior managers (conducting officers).
- As soon as the Italian Branch will be authorised two employees will be hired (including the Branch Manager).
- The Internal Audit function of the MANCO has been delegated to the Deloitte according to a specific agreement which will also cover the function for the Italian Branch.

According to the above considerations the MANCO cannot be considered as having a complex organization.

c) Nature, scope and complexity of the activities

- 64 UCITS sub-funds are managed following a commitment global exposure approach.
- Mid 2019 only 9 sub-funds follow a VAR approach but they do not invest in any exotic derivative product, the strategy remains plain vanilla. These sub-funds have around EUR 250 Million of AUM which represent less than 15% of the total UCITS AUM managed by the Company.
- The UCITS Funds are mainly distributed in Italy (approximately 90 % of the AUM) and less than 20% in Monaco, Switzerland and Finland.
- The Company manages only 2 SIF/AIF and 2 RAIF with a no complex strategy (no real estate nor private equity) with an AUM of around EUR 200 Million.

According to the above considerations the ManCo can be considered as having a low-risk profile in terms of nature, scope and complexity of the activities performed.

2. Assessment of the criteria for the different categories of staff.

As of 30/05/2020 the MANCO presented the following breakdown of the Identified Staff to whom the remuneration policy applies:

Category of Staff	Number of employees
Chief Executive Officer (who is also conducting officer)	1
Senior Management	1
Control functions	3
Employees who manage UCITS or UCIs (risk takers)	3
Any employees receiving any type of remuneration that takes them into the same remuneration bracket as Senior Management and risk takers	0
Any other employee of the MANCO.	4
Employees who will perform discretionary portfolio management and investment advisory services	Activity not yet started

Due to the internal organization of the MANCO, staff members involved in the management of the Funds

cannot be considered as fully risk takers because the main strategies/decisions are taken at internal Committees and BOD level.

3. CONCLUSION

According to the above described analyse the MANCO decided to apply the Principle of Proportionality to all “Identified Staff” as defined by ESMA remuneration guidelines.

ANNEX II – PERFORMANCE APPRAISAL FORM

Employee Name:	Xxxxx
Job Title:	Xxxxx
Date of Hire:	Xxxxx

Purpose: The purpose of conducting the “Performance Appraisal” is to develop better

communication between the employee and its supervisor, improve the quality of work, productivity and promote employee development.

Performance Rating Categories: consider the employee’s performance in each category and designate the level of performance that most accurately describes his/her job performance.

Performance Rating Categories	
O - Outstanding	Employee consistently exceeds expectations with virtually no detected errors. No supervision is required.
E - Exceeds Expectation	Employee clearly exceeds position requirements. Performance is of high quality and is achieved on a regularly basis without constant follow-up/supervision.
M - Meets Expectation	Employee meets the standard performance and objectives without constant follow-up/supervision.
I - Improvement Needed	Employee does not meet performance objectives on a regular basis and has difficulty following through with his tasks. Requires constant follow-up/supervision.

I. GENERAL FACTORS

1. Quality – The work is completed thoroughly and correctly following established process & procedures. Required paperwork is thorough and neat.

O – Outstanding	
E – Exceeds Expectation	
M – Meets Expectation	
I – Improvement Needed	

Employee's comments:

Employer's answers:

Employee's comments:

2. Productivity / Independence / Reliability - The extent to which an employee produces a significant volume of work efficiently in a specified period of time. Ability to work independently with little or no direction/follow-up to complete tasks/job assignment.

O – Outstanding	
E – Exceeds Expectation	
M – Meets Expectation	X
I – Improvement Needed	

Employee's comments:

Employer's answers:

Employee's comments:

3. Job Knowledge - The extent to which an employee demonstrates a knowledge of the work, processes, equipment and tools required to perform the job. Employee possesses the practical and technical knowledge required by his function.

O – Outstanding	
E – Exceeds Expectation	
M – Meets Expectation	X
I – Improvement Needed	

Employee's comments:

Employer's answers:

Employee's comments:

4. Interpersonal Relationships – The extent to which employee is willing and demonstrates the ability to cooperate, work and communicate with coworkers, supervisors, subordinates and/or outside contacts.

O – Outstanding	
E – Exceeds Expectation	
M – Meets Expectation	
I – Improvement Needed	X

Employee's comments:

Employer's answers:

Employee's comments:

5. Initiative/ Creativity – The extent to which an employee seeks out new assignments, proposes improved work methods, has new ideas, finds new and better ways of doing things.

O – Outstanding	
E – Exceeds Expectation	
M – Meets Expectation	
I – Improvement Needed	

Employee's comments:

Employer's answers:

Employee's comments:

6. Attendance – The extent to which an employee is punctual, observes prescribed work break/meal periods and has an acceptable overall attendance record. Employee's willingness to work overtime as required.

E – Exceeds Expectation	
M – Meets Expectation	
I – Improvement Needed	
No unexcused absences	
No unexcused delays	

Employee's comments:

Employer's answers:

Employee's comments:

7. Adherence to Policy – The extent to which the employee follows company policies, procedures and work conduct rules.

E – Exceeds Expectation	
M – Meets Expectation	
I – Improvement Needed	

Employee's comments:

Employer's answers:

Employee's comments:

8. Lead (IF APPLICABLE) – The extent to which the employee demonstrates proper judgment and decision-making skills when directing others.

O – Outstanding	
E – Exceeds Expectation	
M – Meets Expectation	
I – Improvement Needed	

Employee's comments:

Employer's answers:

Employee's comments:

9. Overall Performance – Rate employee's overall performance in comparison to position duties and responsibilities.

O – Outstanding	
E – Exceeds Expectation	
M – Meets Expectation	
I – Improvement Needed	

Employee's comments:

Employer's answers:

Employee's comments:

II. OBJECTIVES TO REACHED IN THE YEAR

III. SPECIFIC AREAS OF NEEDED IMPROVEMENT

IV. SUGGESTIONS FOR PROFESSIONAL DEVELOPMENT (seminars, training, schooling...)

V. NEW OBJECTIVES for the year XX

VI. SALARY for the year XX & BONUS for the year XX

Luxembourg, xx xx xx

CHIEF EXECUTIVE OFFICER

**Responsible of Business Unit (Senior
Manager)**

EMPLOYEE