



INSINGER DE BEAUFORT
BNP PARIBAS WEALTH MANAGEMENT

Principles of fund governance of Insinger de Beaufort Asset Management

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1. Introduction

Since 1995 Bank Insinger de Beaufort has offered through its asset management division Insinger de Beaufort Asset Management NV ("IdB Asset Management") a range of investment products focusing on retail, private and institutional clients. IdB Asset Management offers investment services through funds, managed accounts and tailored mandates. The group specialises in the areas of Manager Selection with a special focus on the selection of hedge fund managers and Socially Responsible Investments (SRI) managers. IdB Asset Management works closely on a business-to-business level with independent financial advisors in the retail market.

Insinger de Beaufort's Alternative Investments department is part of the IdB Asset Management Alternative Investments seeks to provide stable and superior investment returns through specialist investment strategies. The alternative investments team with specialist knowledge of European companies is always searching for investment ideas with a focus on downside protection. IdB Alternative Investments' prime focus is Continental Europe, with special emphasis on smaller companies. IdB Asset Management also provides access to broader regions through selective partnerships.

Insinger de Baufort forms part of BNP Paribas a European leader in banking and financial services with a significant and growing presence worldwide. The Group has one of the largest international banking networks, a presence in over 85 countries and 171,200 employees.



2. Fund governance at Insinger de Beaufort

This document sets out IdB Asset Management's corporate standard in respect of fund governance, and is applicable to all funds managed by IdB Asset Management. IdB Asset Management is committed to operate its fund management activities in a fair and reasonable manner. This means that paramount attention must be given to managing potential conflicts of interest. Should conflicts of interest nevertheless occur, IdB Asset Management will deal with these situations in accordance with its fiduciary duty to act in the best interest of the investor.

To accomplish this, IdB Asset Management has set up a structure and defined the set of principles given below for specific situations commonly defined as conflicts of interest. When dealing with potential conflict-of-interest situations, IdB Asset Management will primarily endeavor to reasonably and fairly apply the specific principles defined herein. In situations that may not be covered by these principles, IdB Asset Management will in general seek to apply international best practices to the extent available. IdB Asset Management pledges to resolve any such situation having due regard for the interests of the investor and IdB Asset Management's fiduciary duty, after reasonable and fair consideration of all the relevant facts and circumstances. This process is called 'conscientious consideration'. It is supported by a structure in which IdB Asset Management is accountable for compliance with the principles and procedures to maintain them within the governance structure of Bank Insinger de Beaufort N.V., the parent company of IdB Asset Management.



3. Governance issues

3.1 Principles

Product Quality

IdB Asset Management is firmly committed to the development of quality products designed to provide added value for investors. The timely consultation of all relevant parties involved in the fund-structuring process improves such quality and reduces reputation risk. All product proposals are therefore reviewed by the Operations and Compliance departments, as well as the IdB Group Risk Committee, which focuses on product quality and the identification and proper addressing of conflicts of interest. All products are also approved by the IdB Asset Management Supervisory Board.

Asset valuation

The valuations of portfolios managed by IdB Asset Management are based on the principle of fair value, taking into consideration applicable legal requirements and the valuation principles set out in the prospectus of each fund. IdB Asset Management ensures that valuation of assets and calculation of Net Asset Values (NAV) are performed independently from the portfolio management function.

Fund unit trading

IdB Asset Management has procedures to prevent late trading in units of its funds, i.e. it does not accept orders of clients after the determined cut-off time. In order to protect the fund from the potential negative impact of market timing transactions, IdB Asset Management has taken several measures, such as calculating the NAV after the cut-off time (forward pricing).

Transparency

IdB Asset Management strives for an open relationship with investors by providing relevant, clear and understandable information. This includes information on investment policy, investment risks, investment returns, costs and management/performance fees, affiliated parties and outsourcing. This information is available in the documentation of each fund (prospectus, annual report and "financiële bijsluiter") which are all published on the website, www.insinger.com. IdB Asset Management observes the applicable laws and regulations as a minimum requirement.

Change in the conditions of a fund

During the lifetime of an investor's investment it is possible that the conditions of a fund may change. In that case IdB Asset Management will suitably inform the investors in good time in accordance with the applicable laws, regulations and the prospectus of a fund. IdB Asset Management strives to ensure that such information is easily accessible, clear and understandable for all investors. If the proposed changes have a negative impact on conditions for the investor (e.g. a rise in fees), or if changes in the investment policy of a fund are proposed, the investor in an open-ended fund shall always have the right to divest on the then prevailing conditions within a reasonable period before the proposed changes are effected.

Unforeseen costs during the lifetime of a fund

A fund may be confronted with unforeseen, extraordinary costs and expenses. These may be caused by changes in tax treatment, increased regulatory costs, administration and custody fees, or by unusual circumstances such as nationalisation, a moratorium, market disruption or other irregular market circumstances.

If the costs are the result of circumstances outside the control of IdB Asset Management, or if the costs are made in the best interest of the investors, such costs are in general borne by the fund, if



legally allowed. In all other cases, IdB Asset Management shall bear these costs or may elect to propose to change the conditions such that these costs shall then be borne by the fund.

Services from affiliated parties

IdB Asset Management funds can make use of services from inter-group companies or other affiliated parties (e.g. treasury transactions). These services will be executed on an arm's length basis and will be disclosed properly.

Best execution

In implementing and executing investment decisions, IdB Asset Management shall as a general rule take reasonable steps to obtain the best possible result, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration. In particular, transactions with affiliated parties will be executed on arm's length terms customary in the market.

Broker selection and soft commissions

IdB Asset Management will ensure that the selection of counterparties for trade execution (brokers) will take place according to defined procedures and criteria, taking into account execution capability and quality of research. The funds of IdB Asset Management may make use of soft commission arrangements, which will be duly disclosed in the fund documentation.

Securities lending

IdB Asset Management is transparent in a fund's prospectus and annual report with regard to the possibility of lending the portfolio securities of such a fund. The risk/reward relationship of lending activities for the fund shall in essence be reasonable and fair and in line with market practice.

Personal interest and remuneration

IdB Asset Management endeavors to structure its remuneration systems in line with market practices and in such a way that conflicts with investors' interests are avoided. Where potential conflicts are conceivable, monitoring measures will be implemented in order to ensure that these conflicts are properly managed and addressed. We consider the fact that staff and members of the Supervisory Board can participate in IdB Asset Management's funds as a 'stake of confidence' (*comment*: All securities transactions involving staff or members of a supervisory board are monitored. This is to ensure that we can steer clear of appearing to act with inside information).

Costs and damages as a result of operational errors

IdB Asset Management's ambition is to deliver services to its clients through faultless processing. Nevertheless, in a human environment operational errors can never be entirely excluded. Therefore, IdB Asset Management carries adequate insurance coverage for damages and costs incurred by the funds due to operational errors. IdB Asset Management's liability will be limited to the insurance coverage, except for cases of gross negligence and/or willful misconduct.

Damages caused by errors in the calculation of the net asset value of a fund (NAV errors) and exceeding a certain *tolerance threshold* shall be compensated by the fund, taking into account a *de minimis* amount. IdB Asset Management will seek to ensure that the fund fulfills these obligations.

Voting rights

IdB Asset Management's standard policy is not to exercise any ownership voting rights. Only in extraordinary circumstances (e.g. where there is significant detriment to the shareholders) will ownership rights be exercised.



General meetings of the funds

IdB Asset Management will endeavour that beneficial owners of shares or participants in its investment funds can participate and vote in the general meetings of the funds. IdB Asset Management will suitably inform the investors of the time and location as well as the agenda of such meetings in accordance with the applicable laws, regulations and the fund's terms and conditions.

Public communications

IdB Asset Management strives for all public communications in respect of its funds to give transparent, true, accurate and complete information on the character, the costs, the risks and, if included, the past or simulated performance of such product to the extent reasonably practicable. Advertisements for IdB Asset Management funds will maintain a healthy balance between sound commercial information as well as the technical facts necessary for potential investors to base their judgment. Naturally, application of and compliance with applicable legal and regulatory standards shall serve as a minimum requirement.

Market abuse

IdB Asset Management has installed 'Chinese Walls' in order to manage the flow of price-sensitive information and other confidential market information. There is an organisational and personnel segregation between the IdB Asset Management business lines to the extent that this is reasonably necessary relative to their activities. This means that employees report hierarchically only to their managers and appropriate information-sharing barriers are in place to prevent dissemination of sensitive market information. No price-sensitive or confidential market information is exchanged between business lines other than is required to effectively carry out their work.

3.2 International best practices

In specific conflict situations where the above principles would not provide clear guidance IdB Asset Management will endeavor to apply international best practices to the extent available. This means that IdB Asset Management may apply those standards that are commonly applied by peers in comparable situations and comparable markets or those standards which are endorsed by organisations of market practitioners and which are widely accepted and applied in the market.

3.3 The principle of 'conscientious consideration'

However well defined and refined, a system of specific principles, even while supplemented with a set of international best practices, cannot always guarantee sufficient external guidance to deal with specific conflict situations. A fund management organisation should reach a solution independently which does justice to its fiduciary role and responsibilities. IdB Asset Management therefore pledges that it shall, in all cases, endeavor to resolve any governance issues having due regard for the interests of the investor and IdB Asset Management's fiduciary duty, and after reasonable and fair consideration of all relevant facts and circumstances. This process, called 'conscientious consideration', shall be conducted along with the Supervisory Board of IdB Asset Management.



4. Implementation and enforcement of fund governance

The above mechanism of principles, international best practices and conscientious consideration is implemented within the IdB Asset Management organisation in the following manner:

1. The Supervisory Board of IdB Asset Management will monitor IdB Asset Management's adherence to the Fund Governance principles.
2. On an on-going basis, the IdB Asset Management compliance department and the IdB Group Internal Audit department will regularly test the Fund Governance principles within their Compliance Monitoring Programmes and Internal Audit tests. The results of these tests will be reported to the Supervisory Board at regular intervals.
3. These reports will also be made available to the IdB Group Audit Committee.
4. The director(s) of IdB Asset Management can, in the daily conduct of their business, encounter situations that are not covered by the above principles or that require the principles to be updated. In that case the director(s) will meet with the members of the Supervisory Board to deal with these situations in order to resolve these points by applying the concept of 'conscientious consideration' and/or by amending the principles themselves. The IdB Group Audit Committee shall be kept informed about the outcome of these discussions.
5. IdB Asset Management publishes its principles of fund governance on its website. The annual reports of the funds shall contain, in addition to the legal requirements of the relevant regulator, a statement on compliance with the principles of fund governance.



5. In conclusion

The mechanisms provided for herein are a dynamic offering of standards and good practices. To stay abreast of constantly changing circumstances in the financial environment, IdB Asset Management will closely follow developments in fund governance, identifying trends and seeking remedies to new challenges.

IdB Asset Management is aware that trust and integrity play an important role in the financial industry. It is IdB Asset Management's intention that these principles of fund governance, together with the Code of Business Conduct and further internal policies will help to maintain a culture in which professional and ethical behavior of the staff of IdB Asset Management is recognised, valued and promoted.