

## 11 TRADING AND BROKERAGE (...)

### 10.1. 11.4 Order Allocation and Division Policy

Investment advisers have an affirmative duty to act in good faith for the benefit of their clients and, as a matter of fiduciary duty, investment advisers must ensure that when allocating and aggregating securities transactions, clients are treated in an absolutely fair and equitable manner.

#### 10.1.1. Allocation of Orders

Currently, the Firm manages the Investment Vehicles on a *pari passu* basis, automatically allocating transactions pro rata to Investment Vehicles without manual interference – using its order management system (OMS) which is set to only allocate transactions in this form (pro rata) – at all times based on the average price practiced on the date, respecting the mandates of each one of the Investment Vehicles under management to accommodate any portfolio restrictions.

##### 10.1.1.1. Allocation Policy

The Firm's overall objective is to treat each Investment Vehicle in a fair and equitable manner in line with its fiduciary duty. In no event shall allocation of orders be based on relative fees or performance or considerations other than the interests of the Firm's Investment Vehicles.

#### 10.1.2. Aggregation of Orders

##### 10.1.2.1. Aggregation Policy

The Firm will aggregate trades in accordance with the SEC's guidance in SMC Capital, Inc<sup>1</sup>. To the extent that the Firm does not aggregate trades but has the opportunity to do so, the Firm will explain in its Form ADV Part 2A that Investors may therefore pay higher brokerage costs.

##### 10.1.2.2. Aggregation Policy in Brazil

Additionally, according to article 82 of Rule CVM 555, securities and other assets that are part of the portfolio of the CVM Funds shall be issued with a precise identification of the respective fund for which they should be executed. However, the regulation allows the aggregation of orders among funds whose assets are managed by the same entity, provided that the asset manager has implemented a system that allows an equal distribution based in a pre-established criterion, and the records of the distribution remain available to the CVM for the minimum period of 5 (five) years.

##### 10.1.2.3. Operating Procedures and Compliance Review for Aggregation

In connection with the prospective aggregation of orders, the Firm employs the following procedures:

- The key allocation methods among Investment Vehicles are specified before entering an aggregated order;
- The books and records reflect securities held by, or bought or sold for, Investment Vehicles that participate in the aggregation;

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<sup>1</sup> In the SEC No-Action Letter, "SMC Capital, Inc.", (September 5, 1995), the SEC indicated that aggregation of client orders would not violate the Antifraud Provision if the practice of aggregating orders is fully disclosed in the investment adviser's Form ADV and all Investment Vehicles participating in the aggregated order will receive an average price with all other transaction costs shared on a pro rata basis.

- Prior to including an account in a batch trade, the Firm's Portfolio Manager ("PM") is required to determine that the trade is appropriate and permitted for each account that will participate, and that each account included in an aggregated trade will be treated fairly; and
- No additional compensation or remuneration is due to the Firm as a result of the aggregation.