Risk management procedure Bellatrix Asset Management S.A. (the "Company")

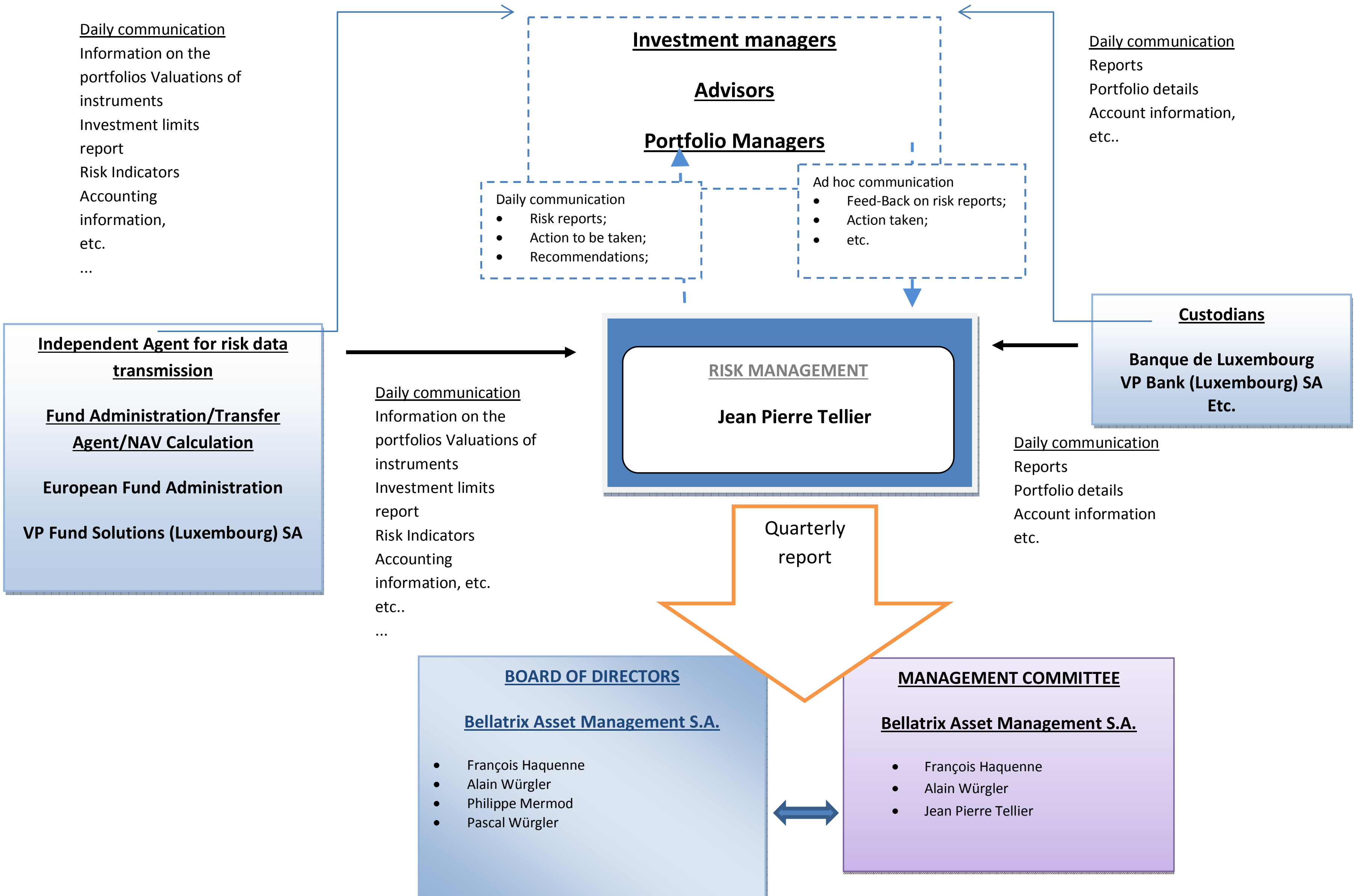
This procedure refers to the guidelines defined in circulars 12/546 and 11/512 and to Grand Ducal Regulation 10-04.

This risk management procedure also covers fund management and private client accounts under discretionary management.

1. Risk management function: governance and organisation

1.1. Risk management function: organisation chart

1.1.1. Provide a general organisation chart of the risk management function:


Daily communication
Information on the portfolios Valuations of instruments
Investment limits report
Risk Indicators
Accounting information,
etc.
...
Investment managers
Advisors
Portfolio Managers
Daily communication
Reports
Portfolio details
Account information,
etc..
Daily communication
• Risk reports;
• Action to be taken;
• Recommendations;
Ad hoc communication
• Feed-Back on risk reports;
• Action taken;
• etc.
Independent Agent for risk data transmission
Fund Administration/Transfer Agent/NAV Calculation
European Fund Administration
VP Fund Solutions (Luxembourg) SA
RISK MANAGEMENT
Jean Pierre Tellier
Custodians
Banque de Luxembourg
VP Bank (Luxembourg) SA
Etc.
Daily communication
Information on the portfolios Valuations of instruments
Investment limits report
Risk Indicators
Accounting information, etc.
etc..
...
Daily communication
Reports
Portfolio details
Account information
etc.
Quarterly report
BOARD OF DIRECTORS
Bellatrix Asset Management S.A.
• François Haquenne
• Alain Würgler
• Philippe Mermod
• Pascal Würgler
MANAGEMENT COMMITTEE
Bellatrix Asset Management S.A.
• François Haquenne
• Alain Würgler
• Jean Pierre Tellier

1.1.2 Comment on the organisation chart and describe the experience of the persons responsible. Provide the name of the person within the management company in charge of the risk management function and said person's CV.

Jean Pierre Tellier is in charge of the risk management function within the Management Company. He has the appropriate knowledge and expertise and, for investment management purposes, makes use of the information provided by the custodian banks and European Fund Administration ("EFA") as regards clients and the investment fund Archea Fund ("Archea"), which is structured as an open-ended investment company (*société à capital variable* - "SICAV"), and by VPO Fund Solutions (Luxembourg) SA ("VP Fund") as regards the investment fund Harvest Investment Fund ("Harvest"), also structured as a SICAV. EFA and VP Fund are responsible for providing risk analysis. This specific role entrusted to EFA and VP Bank (Luxembourg) SA is the subject of a specific service agreement through Banque de Luxembourg S.A. ("BDL") for Archea and VP Bank (Luxembourg) SA ("VP Bank") for Harvest. The agreement is attached to this policy.

The risk manager is a member of the management of the Company (which is the Management Company in accordance with the law). Once a quarter, the risk manager provides the Company's managing bodies (Board of Directors and Management Committee) with a summary of the activity during the period under review (risk limits exceeded, performance, liquidity, etc.). Each day, risk management, after having carried out checks on the basis of information received by the custodian banks and from EFA and VP Fund Solutions (Luxembourg) SA (in their role as fund managers, transfer agents, pricing desks and independent risk managers), informs the portfolio managers of the results of its checks, in reply to which it receives comments or details of any action to be taken.

Jean-Pierre Tellier:

Mr Tellier has a masters degree in Economics, with a specialisation in Finance and Business. Having worked for a Brussels firm of chartered accountants, where he was responsible for the legal opinions requested by the Brussels commercial court, he spent four years with KPMG Audit Luxembourg as a Senior Auditor specialising in the external audit of investment funds and commercial companies as well as the internal audit of banks. He joined the Bellatrix team in August 2010. He is also a certified Financial Risk Manager (FRM).

European Fund Administration ("EFA"):

European Fund Administration S.A. (EFA) was incorporated in 1996 by a group of shareholder banks, who were pioneers in the field of investment fund management. A specialist in fund management, European Fund Administration (EFA) offers a wide range of back and middle office services, enabling its clients to outsource their non-strategic activities. Through EFA Analytics, its specialist business line, EFA offers its clients a complete package of risk and performance monitoring tools.

VP Bank (Luxembourg) S.A. ("VP Bank"):

The company is a private bank specialising in asset management for private individuals and intermediaries. The parent company was founded in 1956 and is one of the largest banks in Liechtenstein. VP Bank Group operates in six other locations throughout the world. VP Bank acts as custodian bank for Harvest Investment Fund - Global Convertible and its subsidiary VP Funds is responsible for the central administration function.

1.2. Governance structure

1.2.1. Using the table below, describe the governance bodies (in particular the managing bodies, committees and boards) involved in risk management.

Bodies	Role/responsibilities	Composition/members	Frequency of meetings
Board of Directors	• Approving the risk management procedure • Ensuring the risk management procedure is correctly implemented	Alain Würgler, Chairman François Haquenne Philippe Mermod Pascal Würgler	Quarterly
Management Committee	• Approving the risk management procedure • Reviewing the situation presented by risk management	François Haquenne Alain Würgler Jean-Pierre Tellier:	Quarterly
Risk manager	• Developing the risk management method • Ensuring risk management policy is appropriate, effective and complied with • Reporting to the Board of Directors and the Management Committee	Jean-Pierre Tellier	Quarterly And ad hoc

1.3. Pursuant to Article 13 of the CSSF Regulation, demonstrate the independence of the permanent risk management function. Demonstrate (where relevant) that appropriate protection measures have been taken against conflicts of interest so that risk management activities can be carried out independently.

The Company's risk management function is located in the Grand Duchy of Luxembourg and is responsible for monitoring and issuing risk reports for all funds.

The independence of this function is guaranteed in the following manner:

This permanent risk management function is independent, from a line reporting and functional point of view, of the operational units. This independence constitutes effective protection and prevents conflicts of interest.

Although the risks are closely related to the investment process, the risk management function is and remains independent. In addition to its independence, regular, guaranteed communication enables the efficient conduct of its activities.

1.4. Risk management policy

1.4.1. Describe the risk management policy and specify the risks covered. By way or reminder, Article 43 of the CSSF Regulation refers to market, liquidity and counterparty risk, as well as all other risks, including operational risk, which may be material for UCITS (including risks which may be material for UCITS and which are not specifically addressed in the following sections of this appendix).

The Company has developed, implemented and maintains in operation an appropriate and documented risk management policy that enables it to determine the risks to which the UCITS and the customer accounts it manages are or could be exposed.

The risk management policy covers the following risks:

Market risks:

These risks are controlled each day by the fund managers. The asset allocation and investment process implemented by the investment managers is very specific and the markets and/or asset classes in which they invest are selected solely on the basis of strict criteria. The investment vehicles are very diversified due to the fact that they are mainly direct holdings of securities, UCITS funds, index funds, ETFs, and trackers of equity indices of countries, regions or sectors.

Liquidity risks:

Before each transaction, investment managers take into consideration the liquidity of the investment vehicles already in the portfolios. They take particular note of the volumes of said vehicles traded on the markets. Managers pay particular attention when investing in ETFs and/or trackers listed on a regulated market to ensure that they will be able to close out their positions in a timely manner. Attention is also paid to listed stocks where the volume traded could be low.

Investment managers keep a close eye also on the liquidity of the funds they manage to ensure that they can easily meet any redemption orders.

Counterparty risk:

Investments (deposits and forward exchange contracts) are made with the custodian bank in various currencies, mainly in the euro and US dollar. A high proportion of these investments are also made in money market funds of highly-rated financial institutions. There is a limit on such investments: no more than 20% of the portfolio may be invested in any one institution.

Exchange rate risk:

Investment managers take care to amend at all times the currency hedging arrangements on the basis of their investment decisions.

Derivative instrument risk:

Pursuant to Article 42(3), the risk manager and the investment managers ensure that the global exposure related to derivative financial instruments does not exceed the portfolio's total net value. Risks are calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

Concentration risk:

Investment managers ensure that the risks to which the underlying assets are exposed do not exceed the limits set in Article 43 of the law.

Operational risk:

<u>Internal operational risk</u>: Operational risks associated with the fund management activity relate to errors in order execution, the absence of one or more investment managers and business continuity risks in the event of a hardware problem. Lastly, the SICAV is subject to UCITS regulations and is therefore audited, which limits the risk of fraud.

<u>External operational risk</u>: External operational risks relate to the counterparty. The selected counterparty is a leading service provider in the Luxembourg market monitored by the CSSF or, in connection with the freedom to provide services, an equivalent local regulatory authority. External operational risks are therefore controlled.

The monitoring tables produced internally relating to fund management are saved on the Bellatrix server. This information is saved on a daily basis. In addition, a log of the reports sent by the administrative agents (EFA/VP Funds) and by the custodian banks is saved on the server.

The Company has implemented procedures that enable it to reduce operational risk.

1.4.2. Demonstrate that the risk management policy complies with all the provisions laid down in Article 43 of the CSSF Regulation.

As specified above, the Company has the necessary procedures in place to assess its exposure to market, liquidity and counterparty risks, as well as to any other risks, including operational risk, likely to be material.

This policy focuses, first and foremost, on the techniques, tools and provisions introduced that enable the Company at all times to measure and manage the risks to which the UCITS and customer accounts it manages are exposed or likely to be exposed. Secondly, this policy guarantees that the limits in terms of global exposure and counterparty risk are complied with in accordance with the law.

In addition, the Company has implemented risk measurement provisions, procedures and techniques guaranteeing that the positions taken and their contributions to the overall risk profile are measured accurately on the basis of sound and reliable data.

The Company carries out, where relevant:

- Back testing to assess the validity of the risk measurement provisions.
- Stress tests and scenario analyses in order to incorporate the impact of risks resulting from possible changes in market conditions likely to have a negative effect on UCITS.

In addition, the Company has established and implemented a documented system of internal limits relating to the measures for managing and controlling the risks to which each customer and each UCITS is exposed and which are likely to be material. The Company ensures compliance with the risk profile.

The Company has developed, implemented and maintains in operation procedures that, in the event of actual or envisaged non-compliance with the risk limits system, result in corrective action being taken quickly and in the best interests of the shareholders.

The Company uses a liquidity risk management procedure which guarantees that shares can be redeemed. The liquidity profile of the investments is in accordance with the redemption policy set out in the fund regulations or prospectus.

In accordance with Article 46 of the regulations, the Company calculates in the most appropriate manner, taking into account transactions aimed at increasing leverage or exposure to market risk, the UCITS' global exposure as follows:

- The total exposure and leverage the UCITS has through derivative financial instruments.

The Company calculates the overall risk of the UCITS it manages at least once a day.

The Company takes into account transactions aimed at increasing leverage or exposure to market risk.

Lastly, the risk management policy specifies the terms, content and frequency of the reports presented by the risk management function to the Board of Directors and to the governing bodies.

1.4.3. List the main procedures that the risk management procedure comprises:

The main procedures are as follows:

- Market risk procedure,
- Liquidity risk procedure,
- Counterparty risk procedure,
- Operational risk procedure.

1.5. Permanent risk management function

1.5.1. Describe the role of the permanent risk management function and describe the manner in which it meets each of the requirements referred to in Article 13(3) of the CSSF Regulation (e.g. control of risk levels and reporting).

The role of the permanent risk management function involves constantly monitoring the portfolios' exposure to the various risks, assessing the overall exposure to risk, in particular the risk of derivative products, verifying compliance with the investment limits, informing the Board of Directors and the managing bodies of the risk policy and suggesting any measures that would enable the risk management policy to be improved.

Thus the risk manager is responsible for implementing the risk management policy and procedures. This policy is documented and enables the Company to identify, measure, manage, control and report on the risks to which its clients and UCITS are or could be exposed. This policy is drafted in the form of procedures that enable the Company to identify the risk management roles, responsibilities and procedures.

The risk manager receives daily reports from the fund administrator and the custodian bank. The fund administrator, in addition to its conventional role, carries out risk analysis on behalf of the Company. These reports inform the manager of the risks in the daily valuation of the funds managed by the Company. The risk manager analyses and controls, via the information provided, all of the portfolios and transactions carried out by the portfolio manager. This information is cross-checked with tools such as Bloomberg and its well-known Excel add-ins. Therefore, the risk manager is able to carry out all the checks required.

The permanent risk management function advises the Board of Directors on the definition of the risk profile for each managed account and UCITS. Therefore, for each customer and UCITS, a risk profile, resulting from a risk identification process that considers all the risks likely to be material, is defined and approved by the Company's Board of Directors.

The permanent risk management function reports directly to the management of the Company (which is the Management Company in accordance with the law). Once a quarter, the risk manager provides the Company's Board of Directors and Management Committee with an activity report on the period under review.

This report examines:

- the performances achieved on behalf of each customer and UCITS on the basis of the risks taken,
- the consistency between the actual risk levels incurred by each managed account and UCITS and the risk profile adopted for them,
- compliance by each managed account and UCITS with the relevant risk limitation systems,
- the adequacy and effectiveness of the risk management method, indicating, in particular, if corrective measures have been taken in the event of deficiencies.

Once a quarter, the risk manager reports to the managing bodies on the actual risk level incurred by each managed account and UCITS and on any actual or envisaged exceeding of the relevant limits, so that rapid and appropriate measures can be taken.

The risk manager re-examines and strengthens, where necessary, the provisions and procedures for measuring over-the-counter derivative instruments. Indeed, the company maintains in operation processes and procedures ensuring an appropriate, fair and transparent assessment of the exposure of the accounts and UCITS to derivative instruments traded over the counter.

Lastly, the Company certifies that the risk manager has within the Company all the necessary authority and access to all relevant information necessary for the accomplishment of the tasks detailed above.

1.5.2. Describe the process for establishing risk profiles

For those accounts under discretionary management in particular, the Company requires a questionnaire to be completed when the relationship is first entered into in order to determine the customer's risk profile. A suitability test is also performed. The profiles determined in this way then enable a portfolio to be set up corresponding to an allocation and customer portfolio management process that is consistent with the results of the questionnaire and appropriate tests.

Five different profiles have been established: conservative, defensive, medium risk, dynamic and aggressive.

The technique for measuring documented risks includes both quantitative measurements covering quantifiable risks and qualitative methods. They allow an adequate assessment of the concentration and interaction of risks at the level of the portfolios managed.

Where risk measurement is not possible or produces unreliable results, the Company integrates other relevant elements to obtain a complete valuation and assessment of the risks incurred by clients and UCITS.

The process of risk identification is not a static exercise, but is reviewed periodically to take into account changes in market conditions or the investment strategy of the customer or UCITS. The Company establishes, implements and maintains in operation a documented system of internal limits regarding the risks which may be material for the customer accounts and UCITS it manages while ensuring the compliance of this system of internal limits with the risk profile of each customer account and fund.

The legal limits on global exposure and counterparty risks are taken into account in this risk limitation system.

The permanent risk management function advises the Board of Directors on the definition of the risk profile for each managed UCITS. For private client accounts, a director countersigns the profile. The compliance officer verifies each quarter that the customer's risk profile has been complied with by verifying the positioning of the portfolio vis-à-vis the risk limits established in the profile. Therefore, for all managed accounts and UCITS, a risk profile, resulting from a risk identification process that considers all the risks likely to be material, is defined and approved by the Company's Board of Directors.

1.6. Describe the process for assessing, controlling and periodically reviewing the adequacy and effectiveness of the risk management policy, together with the relevant reporting to the governing bodies, the Board of Directors and, where it exists, the supervisory function. A copy of each information report as at the end of the Management Company's financial year is attached as an appendix. By way of reminder, CSSF circular 12/546 requires the regular reports to be drawn up by the risk management function to be submitted at least once a year to the CSSF. This communication of information should ideally be made using the aforementioned appendix (Managing Directors Committee - CMD).

The Management Company verifies on an annual basis the process for assessing, controlling and periodically reviewing the adequacy and effectiveness of its risk management policy. Secondly, it verifies the adequacy and effectiveness of the measures taken to remedy any deficiencies in the operation of the risk management procedure.

The Company carries out, where relevant, back testing to assess the validity of the provisions concerning risk measurement, which comprise forecasts and estimates based on models.

In addition, the Company periodically carries out stress tests and scenario analyses in order to incorporate the impact of risks resulting from possible changes in market conditions likely to have a negative effect on the managed UCITS. The aim of these stress tests is to simulate the reaction of the managed funds to various stressful situations such as, for example, the nuclear crisis in Japan, a speculative bubble, a terrorist attack, etc. These simulations enable the impact on the managed funds to be verified and any necessary amendments to be made.

The risk manager establishes a risk management policy for each managed UCITS. He submits this policy to the managing bodies for approval. In addition, he sends regularly, and at least each time a significant change is made to the risk management procedure, a report to inform the managing bodies of the situation. Pursuant to circulars 11/512 and 12/546, the risk manager submits a report to the CSSF, at least once a year.

1.7. Describe the regular reports on risk management using the table below, providing, for the risks covered by the risk management policy (see under 1.4) and at least for the risks included in the table, a description of the information reports on the management of such risks. A copy of each information report as at the end of the Management Company's financial year is attached as an appendix. By way of reminder, CSSF circular 12/546 requires the regular reports to be drawn up by the risk management function to be submitted at least once a year to the CSSF. This communication of information should ideally be made using the aforementioned appendix.

The reports entitled "UCITS IV Risk Compliance Reports" are received from EFA and the reports entitled "Daily Risk Reporting" are received from VP Fund each business day in Luxembourg. These reports consist of a summary table that lists all of the risks. For each risk a theoretical limit is defined. The fund's risk level is calculated and compared with the theoretical level. If the theoretical level is breached, an alert is issued in the report. As part of his daily checking, the Risk Manager identifies any breaches and immediately informs the fund manager of them. In addition, the BDL and VP Bank compliance departments back test the positions in the portfolios.

Risks covered	Report title	Issuing entity	Recipients	Frequency
Market	UCITS IV Risk Compliance Reports Daily Risk Reporting	EFA – Risk Management VP Fund	BAM *(1)* – Risk Manager	Daily
Liquidity	UCITS IV Risk Compliance Reports Daily Risk Reporting	EFA – Risk Management VP Fund	BAM *(1)* – Risk Manager	Daily
Counterparty	UCITS IV Risk Compliance Reports Daily Risk Reporting	EFA – Risk Management VP Fund	BAM *(1)* – Risk Manager	Daily
Operational	UCITS IV Risk Compliance Reports Daily Risk Reporting	EFA – Risk Management VP Fund	BAM *(1)* – Risk Manager	Daily
Credit	UCITS IV Risk Compliance Reports Daily Risk Reporting	EFA – Risk Management VP Fund	BAM *(1)* – Risk Manager	Daily
Compliance	UCITS IV Risk Compliance Reports Daily Risk Reporting	EFA – Risk Management VP Fund	BAM *(1)* – Risk Manager	Daily
Compliance with risk profiles	Customer Portfolio Quarterly Reporting	Custodian Bank	BAM *(1)* – Risk Manager and compliance officer	Quarterly

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1.8. Describe the information systems used for risk management using the table below, providing, for the risks covered by the risk management policy (see under 1.4) and at least for the risks included in the table, a description of said systems.

EFA and VP Fund are responsible for producing the risk reports. EFA has developed an internal calculation tool for use in producing the reports. For the VaR calculations, the SataPro software is used. EFA has direct access to the data used to calculate risk. The following departments provide the data used:

- Fund Accounting
- Trade Management
- Securities Database
- Register and Transfer Agency
- Compliance

VP Fund has also developed an internal calculation tool for use in producing reports based on data extracted from the Multifonds accounting system and pricing tools such as Bloomberg and BVAL.

All reports are produced in Excel format and sent by email or secure FTP.

Risks covered	**IT system**	**Person in charge of the setup**	**Person in charge of risk monitoring**
Market	EFA internal system VPB Finance internal system	EFA - Risk Management VP Fund – Risk Management	BAM *(1)* - Risk Manager
Liquidity	EFA internal system Bloomberg (for Harvest)	EFA - Risk Management VP Fund – Risk Management	BAM *(1)* - Risk Manager
Counterparty	EFA internal system VP Fund internal system (based on data extracted from Multifonds)	EFA - Risk Management VP Fund – Risk Management	BAM *(1)* - Risk Manager
Operational	EFA internal system VP Fund internal system	EFA - Risk Management VP Fund – Risk Management	BAM *(1)* - Risk Manager
Credit	EFA internal system VP Fund internal system	EFA - Risk Management VP Fund – Risk Management	BAM *(1)* - Risk Manager
Compliance	EFA + BdL internal system VP Bank (Luxembourg)/VP Fund internal system	Compliance Officer VP Fund – Risk Management	Compliance Officer
Valuation	EFA internal system VP Fund internal system (based on Bloomberg, UBS London, Exane, KNG and BVAL)	EFA - Risk Management VP Fund – Risk Management	BAM *(1)* - Risk Manager
Compliance with risk profile	Customer Portfolio and Quarterly Reporting internal Excel file	Custodian Bank	BAM (1) – Risk Manager and compliance officer Quarterly

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1.9. Agreement(s) with one or more specialised third parties on the carrying out of risk management activities.

1.9.1. Describe the measures taken to ensure that such third party(ies) has (have) the ability and capacity to perform the risk management activities reliably, professionally and effectively.

An agreement has been signed with the custodian banks for the production of the calculations and the risk tables enabling the Risk Manager to assess the funds' risks. In this regard, EFA represents the industry standard in terms of experience and competence in Luxembourg. Prior to signing the contract, explanatory documents summarising the services provided by EFA were reviewed to enable a judgement to be made as to EFA's ability to provide the documents needed for risk management.
It should be noted that back testing is carried out by BDL as regards the legal rules (compliance) which relate to the law of 17 December 2010, as amended (UCITS IV).
Similarly, an agreement has been signed with VP Bank (which sub-contracts to VP Fund) for the production of the calculations and the risk tables enabling the Risk Manager to assess the funds' risks.

1.9.2. Give the prudential supervision status, if any, of the third party(ies) involved in carrying out risk management activities.

EFA and VP Fund have the status of Central Administration.
BDL and VP Fund have the status of Custodian Bank.

1.9.3. Confirm the existence of contracts pertaining to the agreement(s) with one or more third parties on the carrying out of risk management activities.

The Company confirms the existence of a contract pertaining to the service agreement with BDL and incorporating EFA's central administration services, as well as that with VP Bank.

1.9.4. Describe also the process for the ongoing assessment of the quality of the services provided by the third party(ies).

Since we are in daily contact with EFA and VPA by means of reports and services provided, we are able to judge on an ongoing basis the quality of the services provided. Each year, the third parties (BDL, EFA, VP Bank and VP Fund) are asked to confirm that the audit of their system has been carried out and whether any exceptions were identified. Furthermore, EFA, BDL, VP Bank and VP Fund are well-known entities in the market and monitored by the CSSF. Bellatrix' s Statutory Auditor and internal auditor will base their opinions on the confirmations referred to above by EFA, BDL, VP Bank and VP Fund.

1.9.5. Confirm that the risk management procedure includes answers to the requirements listed in this appendix, taking into account those risk management activities which are governed by agreements(s) with one or more third parties and, where appropriate, on the basis of procedures, systems and methods used by such third party(ies).

We confirm that the risk management procedure includes answers to the requirements listed in this appendix, taking into account those risk management activities which are governed by agreements(s) with one or more third parties and, where appropriate, on the basis of procedures, systems and methods used by such third party(ies).

1.10. Describe the policy and validation processes for any new products, instruments, investment processes and new activities

Suggestions for new products, new investment processes or new activities are developed and presented during management committee meetings. After reviewing the relevance and feasibility of the proposal(s), the latter are submitted for approval to the Board of Directors. Suggestions for new products are also reviewed by the Compliance Officer.

1.11. Describe how the risk management activities are in the scope of the internal audit function and the Compliance function

In connection with its control activities, the internal audit function is required to audit the risk management function. Following this audit, a report is drawn up enabling the effectiveness of the risk management policy to be assessed. This report is submitted to the managing bodies.
The Compliance Officer, as part of his checks and in accordance with his supervisory role, verifies the consistency of this policy, that it complies with the regulations in force and that it is appropriate in light of the risk profile and portfolio. He may use the internal report but this should not be the sole basis for his assessment. The Compliance Officer will verify the consistency of the information disclosed in the prospectus about the risk policy.

2. Determination and monitoring of global exposure

2.1. General issues

2.1.1. Describe and justify (taking into account the investment strategies of the managed UCITS) the frequency of the global exposure calculation.

The global exposure is calculated on a daily basis. The investment policies authorise the use of derivative instruments for the purposes of market coverage and/or currency hedging and performance optimisation. In this context, the use of the commitment approach is appropriate for calculating the global exposure.

2.1.2. Describe the self-assessment process of the UCITS' risk profile, which ensures that the approach for calculating the global exposure is appropriate.

Derivative financial instruments may be used only for the purpose of optimising portfolio management. The commitment approach is therefore the appropriate method to use to calculate global exposure. Under this method, each sub-fund's total commitment on derivative financial instruments (equal to the sum as an absolute value of the individual commitments after taking into account any effects of netting) is calculated. This total must not exceed 100% of the portfolio's total net value.

2.1.3. Confirm that only the methods for which ESMA has published guidelines are used for calculating the global exposure.

The Company confirms that only the methods for which ESMA has published guidelines are used for calculating the global exposure.

2.1.4. Where appropriate, in relation to boxes 1 (point 5) and 23 (point 2) of ESMA Guidelines 10-788, describe the other risk measurement methods used, specifying the reasons for and context of their use. By way of reminder, management companies must, where appropriate, take into account the risk profile and the investment strategy to complete the VaR/stress-testing process by other risk measurement methods (point 2 box 23).

Not applicable

2.2. Commitment approach

2.2.1. Confirm that the process for calculating global exposure in relation to derivative financial instruments on the basis of the commitment approach is implemented in accordance with the steps provided for in point 2 of box 2 of ESMA Guidelines 10-788.

The Company confirms that the process for calculating global exposure in relation to derivative financial instruments on the basis of the commitment approach is implemented in accordance with the steps provided for in point 2 of box 2 of ESMA Guidelines 10-788:

- The commitment of each derivative is calculated.
- The netting policies are identified and the net commitment is calculated.
- The global exposure is the sum of the absolute value of the commitments and of the net commitments

The various derivative financial instruments used and the conversion formulae are as follows:

- Bond Future:
  Number of contracts * notional contract size * market price of the cheapest-to-deliver reference bond

- Currency Future:
  Number of contracts * notional contract size

- Equity Future:
  Number of contracts * notional contract size * market price of underlying equity share

- Index Future:
  Number of contracts * notional contract size * index level

- FX forward:
  Notional value of currency leg(s)

2.2.2. If a derivative financial instruments is not taken into account in the calculation of global exposure according to the conversion methods set out in box 2, describe the conversion method used for this instrument and explain, where appropriate, the process of transition to the method set out in this box.

Not applicable

2.2.3. Describe the possible alternative approaches used for non-standard derivative financial instruments which cannot be converted to market value or to the notional value of the equivalent underlying assets and which represent an insignificant proportion of UCITS.

Not applicable

2.2.4. Describe the netting policies and, where appropriate, the duration-netting policies and demonstrate the compliance of such policies with ESMA Guidelines 10-788.

Not applicable

2.2.5. Describe the hedging policy and demonstrate that this policy complies with ESMA Guidelines 10-788.

Index futures are used to hedge the portfolios' positions in equities and/or bonds. Forward exchange contracts are also used for currency hedging. These policies are adopted with the aim of reducing the portfolio's risk and general volatility when the investment manager considers, on the basis of market trends, that the risk of loss is becoming too great. This policy complies with ESMA Guidelines 10-788.

2.2.6. Confirm that the processing of efficient portfolio management techniques complies with the provisions set out in box 9 of ESMA Guidelines 10-788.

The Company confirms that the processing of efficient portfolio management techniques complies with the provisions set out in box 9 of ESMA Guidelines 10-788.

2.3. VaR approach

2.3.1. Confirm that all the UCITS positions are taken into account for VaR calculation.

Not applicable

2.3.2. Describe the procedures for determining the maximum limits in VaR (according to the risk profiles established for each UCITS and each sub-fund, respectively) and for determining the (absolute or relative) approach of the relevant VaR model. Specify the documentation of these processes.

Not applicable

2.3.3. Describe the tasks carried out by the permanent risk management function in relation to point 1 of box 22 of ESMA Guidelines 10-788.

Not applicable

2.3.4. Describe the validation process of the VaR model (point 3 of box 22 of the ESMA Guidelines 10-788).

Not applicable

2.3.5. Describe the VaR calculation model(s) used, making reference at least to the information in items a) to d) of point 5 of box 22 (Documentation and procedures) of ESMA Guidelines 10-788.

Not applicable

2.3.6. Describe the calculation standards used in the model(s), in reference to those mentioned in box 15 of ESMA Guidelines 10-788 and confirm compliance with the provisions in said box.

Not applicable

2.3.7. For the model(s) used, describe how compliance with the provisions in box 16 (Risk coverage) of ESMA Guidelines 10-788 is ensured.

Not applicable

2.3.8. For the model(s) used, describe how compliance with the provisions in box 17 (Completeness and accuracy of the risk assessment process) of ESMA Guidelines 10-788 is ensured.

Not applicable

2.3.9. If the relative VaR model is used, describe the process for determining and maintaining the reference portfolio and confirm compliance with points 1 and 2 of box 12 of ESMA Guidelines 10-788.

Not applicable

2.4. Back testing

2.4.1. Describe how the back testing programme works and demonstrate its compliance with box 18 of ESMA Guidelines 10-788. Describe the policy in the event of excessive exceeding of limits

Not applicable

2.5. Stress testing

2.5.1. Describe how the stress testing programme works and demonstrate its compliance with boxes 19 to 21 of ESMA Guidelines 10-788. Describe and justify the risks which are subject to stress testing as well as simulated scenarios. Specify the way in which the stress testing results are taken into account in the risk management, reporting and investment decision processes.

Not applicable

2.6. Disclosure

2.6.1. Confirm compliance with the principles laid down in boxes 24 and 25, respectively, of ESMA Guidelines 10-788 of the disclosure of the information in the prospectus and, respectively, the annual report.

The Company confirms that the information is disclosed in the prospectus and, respectively, the annual report and that it complies with the principles laid down in boxes 24 and 25, respectively, of ESMA Guidelines 10-788.

2.6.2. Detail the method(s) for determining leverage.

Not applicable

3. Determination and monitoring of liquidity risk

3.1. Describe the liquidity risk management policy.

For Archea, the liquidity risk is monitored by means of the calculation of the Funding Liquidity Risk and the Asset Liquidity Risk:

The **Funding Liquidity Risk** is based on the calculation of the Liquidity Coverage Ratio (LCR), which must be at least 100%. This ratio is calculated by dividing (1) the amount of the *Most liquid assets*, to which has been applied a discount (haircut) of 10% on bonds, 20% on equities denominated in euros and 25% on equities denominated in other currencies by (2) the amount of the *cash outflows* over the last 30 days.

The **Asset Liquidity Risk** is calculated as the weighted sum of each investment in the portfolio to which a specific liquidity risk factor has been applied. The sum must be greater than 50% of the portfolio.

EFA calculates and sends to the Risk Manager the liquidity risk calculations on a daily basis. In the event of limits being exceeded, the Risk Manager immediately warns the manager of the sub-fund concerned so that he can take all necessary corrective action.

For Harvest, three liquidity checks are performed:

- Based on the market value: illiquid if the number of shares in the portfolio is greater than 5% of the total number of shares in the market.
- Based on the rating: illiquid if the rating is lower than BBB-.
- Based on the bid-ask spread: illiquid if the bid-ask spread is >1%.

3.2. Demonstrate that the liquidity risk management policy ensures compliance with the redemption obligation laid down in the Law of 2010 and explain how the liquidity profiles of the investments of the UCITS are maintained in accordance with the redemption policy of these UCITS.

The liquidity risk management policy ensures compliance with the redemption obligation laid down in the Law of 2010 since the time needed to liquidate the majority of the portfolio is shorter than the liquidity of the funds (daily).

3.3. Describe the stress tests carried out, where appropriate, in order to assess the liquidity risk to which UCITS are subject in exceptional circumstances.

Not applicable

4. Determination and monitoring of the counterparty risk arising from OTC derivatives

4.1. Describe the counterparty risk management policy in respect of OTC derivatives

The counterparty risk arising from OTC derivatives is calculated daily and corresponds to the unrealised gains on such instruments. Such gains cannot represent an amount greater than 10% of the fund's NAV per counterparty (if said counterparty is a credit institution). In this case, the counterparty is the custodian bank (Banque de Luxembourg).

The only OTC derivatives used are forward exchange contracts. These contracts are generally entered into for the purposes of hedging currencies in the portfolio.

4.2. Describe the process for selecting counterparties (criteria, etc.).

The counterparties (BDL and VP Bank) have been selected on the basis of quantitative and qualitative criteria:

- The institution's size and soundness (share capital).
- Costs of services.
- Ease of access to information about current and future transactions.
- Type of services provided and level of specialisation in the research department.

4.3. Confirm the method for calculating the counterparty risk.

Counterparty risk relates to the use of derivative instruments that are not listed on a stock exchange or traded on another regulated market ("OTC instruments"). The use of these instruments generates counterparty risk in the sense that the counterparties of these derivative instruments may at a certain time find themselves unable to honour all or part of their commitments towards the sub-fund.

We therefore confirm that the methodology used for calculating counterparty risks is as follows:
(Sum of the gains made on the OTC derivatives contracts outstanding)/(the fund's NAV)

4.4. Describe the policy in respect of mitigation techniques (netting, definition of eligible collateral, collateral management, discounts, monitoring of collateral, allocation of responsibilities with respect to managing and monitoring collateral, etc.) relating to the counterparty risk.

Not applicable

5. Determination and monitoring of the counterparty risk arising from techniques and instruments (efficient portfolio management)

5.1. Describe the counterparty risk management policy in respect of techniques and instruments, in particular with reference to the provisions of CSSF Circular 08/356 and ESMA Guidelines.

The counterparty risk management policy is based on diversification. The fund may not invest more than 5% of its assets in securities or money market instruments issued by a single entity. This limit may be increased to 10% if the sum of the investments in excess of 5% in a single entity do not exceed 40% of the fund. In addition, the fund may not invest more than 20% in other funds. Moreover, the sum of the investments made in non-UCITS funds may not exceed 30% of the fund's assets.

These investment limits are verified daily on the basis of tables provided by the central administrations (EFA/VP Fund) and the internal Excel monitoring tables.

5.2. Describe the process for selecting counterparties (criteria, etc.).

The counterparties (BDL and VP Bank) have been selected on the basis of quantitative and qualitative criteria:

- The institution's size and soundness (share capital).
- Costs of services.
- Ease of access to information about current and future transactions.
- Type of services provided and level of specialisation in the research department.

5.3. Describe the policy in respect of collateral (definition of eligible collateral, collateral management, discounts, monitoring of collateral, allocation of responsibilities with respect to managing and monitoring collateral, etc.) used for mitigating the counterparty risk linked to these transactions

Not applicable

6. Determination and monitoring of operational risk

6.1. Describe the operational risk management policy.

Operational risks are managed by a double check on all the transactions carried out in respect of the funds.

6.2. Describe the material operational risks to which UCITS are subject and explain how they are assessed and managed.

<u>Errors in order execution</u>: When an order is executed in the funds of the Archea and Harvest SICAVs, the following points are verified:

- Consistency with the orders executed.
- Execution on the best terms (verification of execution prices + consistency of commissions, brokerage fees and other costs with the terms negotiated).
- Verification of compliance with all the restrictions set out in the prospectus.
- Control of the risk in accordance with the rules in force; in the event of the risk limits imposed by the investment policy being exceeded, an emergency meeting is organised so that the necessary measures can be taken; a formal report will be drafted and signed by the risk manager and the manager of the sub-fund concerned or his replacement.

Moreover, a daily update of the portfolios is carried out: access via the IIS platform to each of the sub-funds and to the movements recorded the previous day, manual entry of the prices and amounts read, and the following points are checked:

- The orders executed are in line with the movements observed.
- Consistency between the amounts read and calculated for each position.
- Consistency between the amounts read and calculated for the entire portfolio.
- Consistency between the balances observed on the current accounts and in the daily valuations, as well as between the movements observed on the current accounts.

<u>Absence of an investment manager:</u>

- In the event of the absence of the **Archea** fund's investment manager, a replacement has been appointed who has all the powers and ability needed to manage the funds. In the event of the absence of the investment manager and his replacement, the rest of the Bellatrix team is capable of managing the funds. The portfolio monitoring tables are updated in files accessible on the server to all Bellatrix staff.

- In the event of the <u>permanent</u> inability of the manager to manage the **Harvest** fund, it will be closed and investors' shares will be redeemed. In the event of <u>prolonged but not permanent</u> inability to manage, a decision on whether or not to close the fund will be taken by the Board of Directors once the manager has been unable to manage for a period of one month. During this intervening period, management will be carried out by the rest of the team but will be limited to the sale of investments that have lost at least 5% since the beginning of the period of inability to manage and no new investments will be made by the rest of the team.

<u>Hardware problem</u>: The Company has entered into a hardware maintenance contract with Telindus. In the event of a hardware problem, a technician is sent on the day the problem occurs to resolve it. The procedure in respect of the total or partial destruction of the hardware by an external cause is described in point 6.3.

6.3. Give a brief description of the business continuity policy.

The monitoring tables produced internally relating to fund management are saved on the Bellatrix server, which is located in an external data centre. Data is backed up on a daily basis. In addition, a log of the reports sent by the administrative agents (EFA and VP Funds) and by the custodian banks (BDL and VP Bank) is saved on this server. Lastly, the fund's statements can be accessed on the custodian bank's website via the internet. If there is a break in continuity, telephone and internet access would enable management to continue without interruption.
In addition, laptops are available and kept away from the Company's premises. It is also specified that the premises of one of the directors will be made available to the investment managers and the Risk Manager in the event the offices are destroyed.

7. Determination and monitoring of concentration limits

7.1. Describe the concentration risk management policy.

Concentration risks are dealt with in a table detailing the articles of the Law of 17 December 2010. The table provides, in respect of each article, a summary of said article, the corresponding limit and details of any exceeding of limits. The table is sent on a daily basis by EFA in the report entitled "UCITS IV Risk Compliance Report" and by VP Bank in the report entitled "Daily Risk Reporting". Any instances of limits being exceeded are observed by the Risk Manager who informs the investment manager accordingly.

7.2. Indicate the derivative financial instruments used by the UCITS for which a commitment approach cannot be used within the concentration limits

Not applicable

8. Determination and monitoring of the valuation risk

8.1. Describe the valuation risk management policy.

On a daily basis, monitoring tables for the fund portfolios are produced internally and an estimated Net Asset Value is recalculated. Bloomberg is the main source of stock market prices.

8.2. Specify the procedures pertaining to the holding and valuation of products (which are not derivative financial instruments) which are less liquid or have a more complex pay-off, with an indication particularly of the specific duties and responsibilities of the permanent risk management function.

Not applicable

9. Determination and monitoring of legal risks

9.1. Describe the legal risks linked to the use by UCITS of OTC derivatives (framework agreement clauses, compensation clauses, collateral management agreements, etc.), and the manner in which they are managed and monitored.

The use of OTC derivatives generates a counterparty risk. In the case of Archea, the counterparty is the custodian bank (Banque de Luxembourg). In this case, contracts have been signed with the custodian bank by the SICAV's directors. These contracts have been approved by lawyers. In addition, as regards the counterparty risk, the Company assessed the financial strength and independence of the custodian bank before entering into a business relationship with it.

As regards Harvest, the counterparty (custodian bank) is VP Bank. Contracts have been signed with the custodian bank by the SICAV's directors. Moreover, as regards the counterparty risk, the custodian bank, VP Bank, has demonstrated that it has a strong financial position and is satisfactorily independent.

10. Valuation of OTC derivatives

10.1. Describe the policy and methods for valuing OTC derivatives in order to ensure an appropriate, transparent, fair and independent valuation of UCITS' exposure to these derivatives.

The only OTC derivatives used are forward exchange contracts, valuations of which can be obtained from Bloomberg. When fund valuations are checked and updated internally, these valuations are checked.

10.2. List the OTC derivatives used by UCITS and describe the valuation principles using the (illustrative) table below. Comment on the table if necessary.

Derivative financial instruments	**Volume***	**Price in NAV**				**Value check*****		
		Price provider	Valuing frequency	Valuing system	Independent source**	Source	Frequency	System
Forward exchange contracts	20% of the fund's NAV	BDL VP Bank	Daily	Telekeurs Bloomberg BVAL	No	Manage ment Compan y	Daily	Bloomberg

* Number of contracts. Specify the scope of the funds covered by this number of contracts.

** Independence of the manager and the counterparty.

*** Probability checks (D/D-1 type) are not included; the check here covers the use of multiple price sources.

11. Monitoring of cover rules

11.1. Describe the cover rules for derivative financial instruments transactions. Where appropriate, specify the management of hedging by high-leverage UCITS in order to avoid the risk of UCITS defaulting.

The hedging policies implemented in connection with the management of the Archea and Harvest sub-funds are limited to the sale of equity market or bond market index futures up to a maximum of the amount of the assets in the portfolio. The number of contracts to be sold is obtained by dividing the amount to be hedged by the value of a contract. The selection of an index depends on the correlation of the latter with the assets to be hedged as well as its liquidity.

12. Management company and individual management

12.1. With respect to management companies providing investment portfolio management services, pursuant to Article 101(3) of the Law of 2010, on a discretionary, customer-by-customer basis in accordance with mandates given by investors, describe concisely how such management companies comply with the risk management requirements under MiFID (Article 37-1 of the Law of 5 April 1993 on the financial sector, Grand Ducal Regulation of 13 July 2007, etc.).

When a business relationship is entered into with a customer, an identification process is carried out in respect of said customer (verification of his identity on the basis of supporting documents and knowledge of the customer increased on the basis of discussions).
The customer is classified into one of the following categories: Retail customer, professional customer or eligible counterparty.
A precise investment profile is established on the basis of a questionnaire (Conservative/ Defensive/Medium risk/Dynamic/Aggressive).
A suitability test is carried out to assess whether the service is suitable for the customer.
An appropriateness test is carried out to assess its appropriateness.
The existence of any conflicts of interest is assessed.
Very specific rules govern the processing of orders.
Lastly, reports relating to order execution, portfolio management as well as to statements of financial instruments and funds are sent to clients at regular intervals.

Concerning risks directly linked with the management of individual portfolios, risk management policy is overall the same as the one described in section 1.4.1.

Market risks: see section 1.4.1.

Asset allocations match the ranges defined through the investment profiles. These allocations are checked on a quarterly basis.

Liquidity risks: see section 1.4.1

Counterparty risk: see section 1.4.1

Unlike UCITS, in individual portfolios, investments (deposits and forward exchange contracts) may exceed 20% of the portfolios within each custodian bank. Nevertheless, in reality these limits are rarely exceeded. The use of low volatility products is preferred to simple cash deposits in the portfolios.

Exchange rate risk: see section 1.4.1

Derivative instrument risk: see section 1.4.1

In reality, the use of derivative products is limited to hedging purposes. In case of speculative investments the allocations are low.

Concentration risk: see section 1.4.1

Operational risk:

Internal operational risk: see section 1.4.1

External operational risk: External operational risks relate to the counterparty. In this respect, custodian banks chosen in the management of individual accounts are only top-tier institutions authorized in Luxembourg, Belgium, France or Switzerland.

13. List of UCITS

13.1. Provide the list of UCITS (under Luxembourg law and that of other Member States) covered by this risk management procedure. The list must clearly distinguish between Luxembourg UCITS and UCITS of other Member States.

The Company manages Archea, which comprises five sub-funds:

Archea Fund	Patrimoine *
Archea Fund	Nordam
Archea Fund	Europe
Archea Fund	Bond Selection
Archea Fund	GlobIQ

** The Patrimoine sub-fund comprises two classes: B1 and B2*

The Company also manages Harvest, which comprises the Harvest Investment Fund - Global Convertible sub-fund and four share classes:

Harvest Global	A share
Harvest Global	B share
Harvest Global	C share
Harvest Global	H share

14. Concluding section

14.1. To conclude this document, the managing bodies must give an opinion on the compliance of the risk management policy with the requirements of the Law of 2010, the CSSF Regulation, ESMA Guidelines and any other applicable rule.

The Management Committee approves the risk procedure and will monitor it in the event of changes. The procedure will be submitted for approval at the next Board of Directors' meeting.

14.2. **Submit, where appropriate, information on ongoing developments being carried out to improve the risk management policy, procedures, techniques or tools.**

Not applicable