

## **Fund Governance Code**

IMC asset management B.V.  
(<http://www.imc.nl/Asset-management/>)

### **I. Introduction**

IMC asset management B.V. (hereafter: IMCam) has adopted and implemented the principles of the Dutch Fund and Asset Management Association (DUFAS). These principles are laid out in the so-called Fund Governance Code (hereafter: The Code) and are an integral part of the description of the Administrative Organisation and Internal Control Handbook.

The Code is applicable to all funds that are or will be offered by IMCam under its asset management license. Currently, these funds are:

- Factor Beleggingsfondsen N.V.
- Phoenix Fund
- IMC US Mortgage Fund
- IMC Distressed European ABS Fund
- IMC Behavioural Quantitative Multistrategy Fund

IMCam is licensed by the Netherlands Authority for the Financial Markets (AFM) to manage collective investment schemes as well as to act as an investment firm.

The main objectives of The Code are to protect the interests of investors and to prevent conflicts of interest.

### **II. Periodic review and reporting**

#### Periodic reviews

IMCam has ensured that procedures are in place to ensure compliance with both internal and external laws and regulations as well as The Code. An important part of these procedures is the periodic review of the application of The Code.

IMCam is audited on a yearly basis by its designated external auditor, PriceWaterhouseCoopers. The funds themselves are also audited on yearly basis. In addition to this external review, both the Compliance Manager and the Internal Auditor (IAD) carry out reviews. The review of The Code is incorporated in the Review Program of the IAD and will be executed as a joint effort by the Compliance Manager and the IAD. This will be done at least once a year.

The Compliance Manager and the IAD are currently employed by respectively IMC Trading B.V. and IMC B.V. and therefore positioned independently of IMCam.

#### Reporting

The outcome of the review will be reported to the Management Board of IMCam as well as to the Audit & Compliance Committee of IMC B.V., the parent company of IMCam.

### III. Governance

#### Compliance function

The compliance function is sourced through a Service Level Agreement with IMC Trading B.V.

#### IAD

The internal audit function is performed by IMC B.V.

#### Managing conflicts of interest

IMCam applies internal rules to control potential conflicts between the interests of funds' participants, IMCam and/or its employees as well as between fund participants themselves. In the case of conflicts of interest, IMCam will always act in the interest of the fund participants. In handling matters and, or conflicts not covered by The Code, IMCam will always act in accordance to international best practices, prioritizing the fund participants' interests.

#### Separation of duties

There is clear segmentation between investment decisions, settlement of transactions, administration of transactions and control. The asset management company has created 'Chinese walls' to manage the flow of price-sensitive information and other confidential market information.

Because IMCam is part of a group of companies, an organizational, physical and personnel segregation between IMCam and other entities of the group has been set up. 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 units other than what is required to effectively carry out their responsibilities. IMCam has outsourced the fund administration and the NAV-calculations to external parties. It has also nominated depository banks to safeguard the funds' assets and to secure the segregation between the funds' assets and the asset management company's assets.

### IV. Day-to-day governance

#### Best execution

IMCam has implemented a policy that guarantees that all reasonable steps are taken to obtain the best possible result, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration. There will be no transactions with related parties.

#### Proxy voting

It is the policy of IMCam that proxies should be voted in the interest of the shareholders of the applicable fund, as determined by those who are in the best position to make this determination. IMCam believes that the firms and/or persons purchasing and selling securities for the funds and analyzing the performance of the funds' securities are in the best position and have the information necessary to vote proxies in the best interests of the funds and their shareholders. Accordingly the individuals responsible for the funds'

portfolio management activities will provide recommendations for the funds' representatives to cast their votes.

Each proxy is voted on a case-by-case basis taking into consideration any relevant contractual obligations as well as other relevant facts and circumstances. IMCam may abstain from voting a client proxy under the following circumstances: (1) when the economic effect on shareholders' interests or the value of the portfolio holding is indeterminable or insignificant; or (2) when the cost of voting the proxies outweighs the benefits.

As a general principle, IMCam will vote if it holds more than 5% of outstanding equity capital and/or a significant - in terms of potential impact - amount of the total issue of a debt security. In other cases, IMCam will judge the relevance of the voting agenda and participate if it is in the best economic and financial interests of the funds and their shareholders. IMCam's primary objectives are to honour its fiduciary duties to its clients and vote with regard to enhancing shareholder wealth and voting power.

IMCam seeks to resolve any material conflicts of interest by voting in good faith in the best interest of its clients. If a material conflict of interest should arise, IMCam will seek to resolve such conflict in the clients' best interest by pursuing any one of the following courses of action:

- convening an ad-hoc committee to assess and resolve the conflict
- voting in accordance with the instructions/consent of a client after providing notice of and disclosing the conflict to that client;
- voting the proxy in accordance with the recommendation of an independent third-party service provider;
- suggesting that the client engage another party to determine how the proxies should be voted;
- delegating the vote to an independent third-party service provider

#### Soft commissions

IMCam is not, in any way, bound to trade with parties from whom it obtains research. For investment and divestment opportunities IMCam approaches more than one party to seek best execution.

#### Trade allocation

IMCam generally executes transactions on an aggregate basis in order to lower commission rates and other transaction costs.

When aggregating orders, the relevant portfolios will be treated fairly and according to a pre-agreed process.

#### Valuation

The management company will ensure that valuation of assets and calculation of funds' Net Asset Values will be performed independently from the portfolio management function.

### Trading for own account

Even though IMCam is licensed to trade for its own account, this is expected to take place only in exceptional and rare occasions. Any trading activity for own account will be subjected to strict rules. Financial instruments that meet the investment criteria of any fund managed by IMCam can never be traded on IMCam own account. Other financial instruments can only be bought for own account after the Investment Committee as well as the Compliance Manager have approved the proposal. As a general rule, clients' orders will always be executed prior to own account trades.

### Private account dealing

IMCam has implemented rules on private account dealing and price-sensitive information. These rules are signed by each and every employee. All employees are considered to be 'insiders' and have to comply with the same conditions. The Compliance manager monitors and administers the private dealing statements, yearly overviews and declarations.

### Transparency

IMCam strives for a transparent relationship with investors by providing relevant, clear and understandable information in accordance with the applicable laws, regulations and the funds' conditions. This includes accurate, timely and fair information on investment policy, investments, risks, costs and management fees, affiliated parties and outsourcing.

The objectives and characteristics of a fund are clear, the risks are explained and there are no ambiguous terms. All fees charged by the funds, and the relationships with service providers, are explicit and transparent. The maximum subscription and minimum redemption price relative to the net asset value (NAV) are clear.

During the lifetime of an investor's investment it is possible that a fund's terms may change. In that case IMCam will inform the investors in good time in accordance with the applicable laws, regulations and the fund's terms. If the proposed changes have a negative impact 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 always has the legal right to divest at prevailing conditions within a given reasonable period before the proposed changes are implemented.

Amsterdam, March 2010