

INTERNAL PROCEDURE

Procedure number: 1200-03 CPS	Procedure Name: Voting Policy	Version date:	2019-03	Rev. #:	7.0
		Last update / creation date:	2018-12		2013-02

CONTEXT / OBJECTIVES / RISKS

Context:

The exercise of voting rights is one of the key areas of the internal governance system for investment fund managers, as highlighted most recently by CSSF Circular 18/698 (art. 159, resp. art. 392-396). The present procedure is to be seen in the context of Allegro’s obligation to develop adequate and effective strategies for determining when and how any voting rights attached to instruments held in the portfolios of the funds managed and administered by Allegro (the “**Funds**”) are to be exercised, to the exclusive benefit of the Funds and their investors.

Procedure Objective:

The objective of the present procedure is to describe Allegro’s approach with regard to such voting rights, and in particular:

- Determine when and how voting rights attached to such instruments are to be exercised;
- Identify and help to manage potential or existing conflicts of interest related to the exercise of such voting rights; and as such
- Ensure compliance by Allegro and the Funds with all applicable laws and regulations covering UCITS, AIF and Non-AIF structures, including publication requirements.

Risks:

- Legal & Regulatory risk, Reputational risk, Financial risk

GLOSSARY

AIFM – alternative investment fund manager

AIFM Law – the Luxembourg law of 13 July 2013 on alternative investment fund managers

AIFMD – Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers, as complemented by the Delegated Act of 19 December 2012

Allegro – Allegro S.à r.l.

Board –Allegro’s board of managers

Fund(s) – Investment fund vehicles managed and/or administered by Allegro and its group entities

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Scope of the Procedure:

The following laws and regulations cover the area concerned by the present Procedure:

- Law of 17 December 2010 (coordinated version) relating to undertakings for collective investment (the “**UCI-Law**”)
- CSSF Regulation N° 10-04 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (the “**Regulation UCITS**”)
- The law of 13 February 2007 relating to specialized investment funds, as amended from time to time (the “**SIF Law**”)
- CSSF Regulation N° 15-07 laying down detailed rules for the application of Article 42bis of the SIF Law concerning the requirements regarding risk management and conflicts of interest (the “**Regulation SIF**”)
- Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (the “**AIFM CDR**”);
- CSSF Circular 18/698 regarding the authorisation and organisation of Luxembourg investment fund managers (the “**CSSF Circular**”).

As laid out by Art. 37 of the AIFM CDR, Allegro is obliged to develop adequate and effective strategies for determining when and how any voting rights held in the Fund portfolios that it manages are to be exercised, to the exclusive benefit of the concerned Fund and its investors. Such strategy shall determine measures and procedures for:

- a) Monitoring relevant corporate actions
- b) Ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant Fund; and
- c) Preventing or managing any conflicts of interest arising from the exercise of voting rights.

Finally, a summary description of the strategies and details of the actions taken on the basis of those strategies shall be made available to the investors free of charge, notably by way of a website (art. 395 of the CSSF Circular).

The above obligations are substantially matched by the Regulation UCITS and the Regulation SIF.

The present procedure is to be read in conjunction with the procedure “Conflicts of interest”.

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Sub-Section A – Voting Policy

1. As a general policy, the Board of Managers of Allegro (the “**Board**”) is supportive of the management of the Funds’ target investments. However, in case such target investments consistently fail to achieve reasonable expectations, the Board will consider actively prompting changes, in collaboration with the investment advisor (if any) and/or the investment committee of the concerned Fund, if the type of target investment provides the opportunity to do so (e.g. in case of significant equity stakes). Such changes might range from the formulation of a new strategy to the appointment of new management or non-executive directors.
2. An active and informed approach to voting is an integral part of Allegro’s role as independent management company and/or AIFM. By exercising votes on behalf of the Funds, the Board seeks both to add value and to protect the interests of the Funds’ investors. The Board considers the issues, communicates with the management and/or the investment advisor (if any/if necessary) and votes accordingly. In general, the Board would always seek to discuss any contentious resolutions before casting its votes in order to ensure that its objectives are understood and its votes will be cast in the best interest of the Funds’ investors.
3. In order to keep track of the actions taken on behalf of the Funds – and in accordance with the obligation laid out in Art. 37 of the Delegated Act to be able to provide investors on request with a summary description of the strategies and the details of the actions taken on the basis of such strategies, Allegro has established and maintains a voting register since 1 January 2018 under the responsibility of the Conducting Officer for Client and Portfolio Services. Such voting register includes votes issued (i) by Allegro in its role as management company and/or AIFM and (ii) by the governing bodies that are part of the Allegro group. Furthermore, each recorded vote includes details on the Fund(s) concerned, the matters up for vote, the vote issued and the relevant dates.

Compliance is in charge of controlling the timely recording of votes issued in the voting register and to prepare a monthly summary of votes issued and recorded, for presentation to the Board for ratification.

4. This procedure and its appendices are reviewed and updated on a regular basis, at least annually.
5. This procedure is published in its current form on Allegro’s website (www.allegrofund.com).

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Sub-Section B – Particular Voting Items

As a general principle, the Board will consult with the Funds’ investment committees or other form of investor representation, prior to casting a particular vote. The following general guidance has been established for recurring voting items regarding the Funds’ target investments:

1. Take-over bids for listed companies:

Valuation by the stock market is an important benchmark for monitoring board performance. For a listed company, a take-over bid or merger can be a necessary and important aspect in maintaining and enhancing shareholder value. The Board generally support incumbent management in good standing. However, it reserves the right to support hostile bids when the management have either consistently failed to respond to the reasonable expectations of shareholders or where, in its judgment, the level of a bid fully recognizes the future prospects of the Fund.

2. Compensation plans:

It is clearly in the interest of investors that target company boards should have the ability to attract and retain the highest quality of personnel. Remuneration levels in different companies and geographic sectors will be a market based judgment, taking into account business size, complexity, relative performance and – where applicable – advice provided by local investment advisors for the Funds.

3. Capital raising:

Capital used by investee companies is derived from equity, debt and other creditors. The rights of the lenders and other creditors are precisely defined by law. This contrasts with the economic interests of investors providing the equity capital. The Board is aware that shareholder wealth may be often lost if companies raise capital for potential value-creating opportunities from new investors rather than raising capital on comparable terms from existing investors. Together with the investment advisors (if any) and/or the investment committees of the Funds, the Board will therefore evaluate on a case-by-case basis whether the use or non-use of its pre-emption right is in the best interest of the existing owners/investors.

4. Target fund investments

In the fund of fund context, target funds frequently install investor (advisory) committees as part of their governance structure. Such committees are often asked to provide feedback in the form of voting forms for a range of topics, including the acquisition of or the exit from a particular investment (such as a Real Estate property), changes to the target fund’s governing documents as well as items related to the end of a target fund’s lifetime (e.g. extension or entry into liquidation). In such cases, the Board will - together with the investment advisors (if any) and/or the investment committees of the Funds - evaluate such voting items on a case-by-case basis and in the best interest of the Funds’ and their investors.

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Sub-Section C – Conflicts of Interest related to the exercise of voting rights

With regard to potential conflicts of interest related to the exercise of voting rights, we refer to our separate policy “Conflicts of interest”, which covers inter alia conflicts of interest involving Allegro and the Funds; conflicts involving different Funds; and conflicts involving Allegro’s employees.

It is difficult to conceive that situations could occur in which Funds hold financial instruments issued by Allegro or its subsidiaries, its shareholders or companies with which Allegro may maintain a strategic relationship and thus create a specific conflict related to the exercise of such voting rights.

Should the instance arise, in which the exercise of voting rights on behalf of the Funds would lead to the appearance of a conflict of interest, the Board will as a principle not exercise such voting rights without full disclosure to the Funds’ relevant investment committee or other form of investor representation.