ALTA CURA

STEWARDSHIP POLICY

’2021

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Introduction

Stewardship is the responsibility attributed to an institutional investor to monitor, oversee and manage the capital invested in companies in order to create long-term value for its clients /beneficiary. Stewardship code is a set of principles or guidelines aimed primarily at institutional investors, who hold shares, and thus, voting rights in investee companies to fulfill its fiduciary obligations towards clients /beneficiaries. At the investee company level the stewardship codes promote high standards of corporate governance by requiring investors to monitor and, where necessary, engage with companies on material matters, including environmental, social, governance, strategy, performance and risk issues and to vote their shares at company AGMs and EGMs.

Companies and investors have a symbiotic existence: companies need investors, just as much as investors need companies. Consequently, effective stewardship and effective governance go together. For a company to be able to act in the investors' best interest, it also needs to understand the investors' perspective. The stewardship code sets out a framework that encourages the investors to engage with companies they have invested in and their boards. This benefits both, the companies and the investors.

Stewardship codes are being introduced globally. After the UK adopted a Stewardship Code in 2009, about eight other countries have similarly mandated stewardship requirements, including a few Asian countries such as Malaysia, Japan, and Taiwan. Today, approximately 19 countries have mandated stewardship codes for the investors either as 'comply or explain' or mandatory compliance formats. Under the umbrella of a stewardship code, investors have been able to achieve different agendas – from getting more independent directors on boards, to ensuring that annual reports are being published in time.

India, to a large degree, has relied on regulations to evolve its corporate governance agenda. The more recent regulations have balanced this agenda by empowering the shareholders to assert their rights – in the form of more convenient voting processes, and requisite specific approvals in the case of related party transactions. However, these measures are effective only on specific issues. To build a wholistic environment that rewards good governance practices, the institutional investors must undertake focused stewardship activities.

While the Securities and Exchange Board of India ("**SEBI**") has long since mandated mutual funds to vote on shareholder resolutions, the Insurance Regulatory Authority of India ("**IRDA**") on March 22, 2017 prescribed stewardship principles to be adopted and implemented by the insurers. Insurers were required to adopt a policy based on the Stewardship Principles on or prior to September 21, 2017. The Kotak Committee on Corporate Governance recommended that as the capital market regulator, SEBI must outline stewardship principles for institutional investors. As a result, in December 2019, SEBI published the circular on Stewardship Code for all categories of Alternate Investment Funds ("**AIFs**") and all mutual funds.

The SEBI Circular list out the stewardship principles to be adopted by mutual funds and all categories of AIFs ("**Stewardship Principles**") and requires them to adopt a stewardship code based on such principles, to be applicable with effect from the financial year 1 April 2020. The Stewardship Principles are enclosed in the Annexure-l.

Stewardship Code for AIF Managed by Lautus Technologies Private limited

We at Lautus Technologies view stewardship as both a responsibility and a privilege. Our clients have entrusted us with their assets, and we are dedicated to putting their interest first. For this it becomes important to carefully consider all relevant financial and governance implications throughout the investment process, with the aim of achieving long term sustainable returns. It also means careful monitoring of our investments and constructive engagement to advance our clients long term best interests. Stewardship aims to promote the long-term success of investee companies in a manner that the ultimate providers of capital also prosper. Effective stewardship benefits investee companies, asset managers, investors and enhances the quality of capital markets.

Investment Objective

The objective and purpose of the Fund is to provide superior risk-adjusted returns to the investors by carrying out the activity of an open-ended Category III AIF and for this purpose to arrange, make, manage, and dispose of investments by implementing strategies backed by artificial intelligence and machine learning in accordance with Applicable Laws and the Fund Documents.

The Fund takes exposures towards trading strategies that may include but not be limited to investment in single stock futures, index futures and options, listed equity shares, equity linked instruments, debt instruments, and shall also include commodity derivative, currencies derivatives, redeemable preference shares, non-convertible debt instruments or any other such instruments as may be permitted by SEBI from time to time under the Applicable Laws. Being the objective and the strategy of the fund, the maximum investments of funds shall be in fixed income instruments and derivative based instruments.

Investment in Direct Equities

The holding of the AIF at any point of time in direct equities of any company is either nil or such an insignificant percentage of its total NAV that it is imprudent to expect the fund with such small direct holdings in any Company to make any material impact to the investee company's decision-making process or to influence its management. Hence the AIF or its Manager uses a pragmatic and realistic approach of assessing all investee company management decisions keeping in mind the best interest of AIF's investors but also realizing the limitations of the influence or impact it can exercise in those. Consequently, while the AIF will continue to act in the best interest of its investors when it comes to any decision making, it realizes that its ability to influence investee companies' management is practically negligible because of the facts stated above.

While managing the fund, Lautus Technologies uses a unique quantitative style of fund management that entails using technology and algorithms developed by its founders through years of research and live deployment. This data-centric investment strategy. continues to do well for its investors. Lautus may seeks and source various public sources to get information about Price data, companies' finances, operations, and other aspects of decision making, it strategically stays away from getting influenced or biased by opinions expressed by managements, various entities, and market players by avoiding getting into personal meetings or any kind of close relationships.

Altacura AI Absolute return fund ("**AIF**") have adopted this Stewardship Code pursuant to the approval of the Board of the AIF and is effective from October 2021.

Principle 1 - Stewardship Responsibilities

Engagement with Investee Companies:

At Lautus/AIF, we usually do not invest in direct equity, unless we're required to mandatorily take delivery of any stocks due to an obligatory requirement of derivative position we hold. Still, if we take any position in direct equity, that holding would be an insignificant portion of our AUM and hence it is imprudent to expect the fund with such a structure in direct holdings, in its current form and size, to make any material impact to the company's decision-making process or to influence its management. However, as a policy, we plan to actively engage with investee companies when we hold 1% or more of their outstanding equity shares or 5% of AUM of the fund.

As an investment policy and while dealing in derivatives of Indices/companies or direct equity investing we do follow the below mentioned parameters to asses the potential investments and risks:

1. Strategy and Performance: Monitor the underlying companies on operational, financial, and strategic matters.
2. Industry-Level Monitoring: Assess industry-level developments and their potential impact on companies and/ or Indices.
3. Corporate Governance: Focus and track corporate governance issues, including mergers, acquisitions, and corporate restructuring.
4. Capital Structure: Evaluate changes in capital structure, such as capital increases, buybacks, dividends, and preferred stock issuances.
5. Managerial Compensation: Review stock option plans and other managerial compensation issues.
6. Risk Management: Evaluate Financial and governance risks.
8. Shareholder Interests: Follow and monitor issues that may affect the interests of shareholders.

Principle 2 - Managing Conflict of Interest

1. Potential Conflicts: Lautus/AIF may encounter certain conflicts of interest involving its directors, employees, and affiliates, as well as other funds managed or advised by Lautus/AIF. Several potential examples of conflicts of interest are delineated below. However, it is essential to note that these examples are not exhaustive, and various other types of conflicts of interest may arise in the course of business:

a. Conflicts between the interests of Lautus/AIF and those of its client/s.
b. Conflicts between the interests of one client of Lautus/AIF and those of another client of Lautus/AIF.
c. Situations where Lautus/AIF has access to confidential information pertaining to an existing or former client, which could hold value for other divisions of Lautus/AIF or for other clients of Lautus/AIF.

d. Instances where Lautus/AIF engages the services of affiliated corporations or other entities in which the CEO or directors of Lautus/AIF have controlling interests or substantial shareholdings.

2. Managing Conflicts: At Lautus/AIF, we recognize the importance of managing conflicts of interest effectively. We commit to:

a. Integrity: Maintaining high standards of integrity in all our business activities.
b. Client Fairness: Ensuring fair treatment of all clients and avoiding discrimination.
c. Client Interest Priority: Prioritizing the interests of our clients over our personal interests.
d. Disclosure: Making appropriate disclosures to clients about potential conflicts of interest.
e. Conflict Reduction: Implementing measures such as information barriers to reduce conflict opportunities.
f. Securities Transactions: Restricting transactions in securities to avoid conflicts.
g. Insider Trading: Avoiding trading while in possession of material unpublished price-sensitive information.
h. Market Manipulation: Not contributing to market manipulation or influencing security prices.
i. Suitability: Not promoting products unsuitable for clients' risk profiles.
j. Confidentiality: Not sharing client information for personal gain.

3. Conflict Management Policies: The company and its employees are obligated to adhere to these requirements, encompassing strict compliance with the controls, policies, and procedures meticulously designed to proficiently manage conflicts of interest through its:

a. Personal Trading Policy
b. Disclosure and Approval of External Business Interests by Directors, Leadership Team, Fund Management, Research
c. Inclusion of Conflict Disclosure in Offering Documents Provided to Clients

These measures have been implemented to ensure transparency, accountability, and the ethical conduct of our business operations.

Principles 3 and 4 - Monitoring of Investee Companies and Policy on Intervention

At Lautus/AIF, our positions are monitored using monitoring algorithms which help us take decisions with respect to management of positions.

We continuously monitor underlying indices/companies as part of our investment evaluation process. As a policy for direct equity we plan to actively engage with investee companies when holding 1% or more of their outstanding equity shares or 5% of our AUM.

While seeking information from underlying companies for monitoring, we adhere to insider trading regulations as prescribed by SEBI.

If required, we may collaborate with other institutional investors, subject to CEO approval, to protect our interests in investee companies.

Principle 5 - Voting and Disclosure of Voting Activity

We usually do not invest in direct equity, unless we're required to take delivery of stocks when a derivative position we have made requires us to. Still, if we plan and hold the share of the company, that holding would be an insignificant portion of our AUM and hence we generally abstain from voting unless we believe it will materially affect shareholder value and is in the clients' best interest. If need arises, Our policy is to cast votes in favor of proposals that strengthen client interests, increase shareholder value, and maintain or increase shareholder influence. Proxy votes are generally cast against proposals with the opposite effect. We consider both sides of each proxy issue and address conflicts of interest as per our Conflict-of-Interest principles.

Principle 6 - Policy Management, Disclosure, and Reporting

The Chief Executive Officer (CEO) and the Compliance Officer (CO) jointly oversee the effectiveness of this Stewardship and Conflict of Interest Policy. Lautus/AIF complies with SEBI requirements by publishing a report on its stewardship activities, including any votes cast (if any) on its website or portal.

Annex: SEBI’s Stewardship Principles for AIFs

Principle 1:	**Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically**

Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc.

Every institutional investor should formulate a comprehensive policy on how it intends to fulfill the aforesaid stewardship responsibilities and disclose it publicly. In case any of the activities are outsourced, the policy should provide for the mechanism to ensure that in such cases, stewardship responsibilities are exercised properly and diligently.

The policy should be reviewed and updated periodically, and the updated policy should be publicly disclosed on the entity's website. A training policy for personnel involved on implementation of the principles is crucial and may form a part of the policy.

Principle 2:	**Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it**

As a part of the aforesaid comprehensive policy, institutional investors should formulate a detailed policy for identifying and managing conflicts of interest. The policy shall be intended to ensure that the interest of the client/beneficiary is placed before the interest of the entity. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.

The conflict of interest policy formulated shall, among other aspects, address the following:

1. Identifying possible situations where conflict of interest may arise. E.g. in case of investee companies being associates of the entity.

2. Procedures put in place by the entity in case such conflict of interest situations arise which may, inter alia, include:

a. Blanket bans on investments in certain cases
b. Having a ‘Conflict of Interest’ Committee to which such matters may be referred to.
c. Clear segregation of voting function and client relations/ sales functions.

d. Policy for persons to recuse from decision making in case of the person having any actual/ potential conflict of interest in the transaction.
e. Maintenance of records of minutes of decisions taken to address such conflicts.

3. Periodical review and update of such policy and public disclosure.

Principle 3:	**Institutional investors should monitor their investee companies**

As a part of the aforesaid comprehensive policy, institutional investors should have a policy on continuous monitoring of their investee companies in respect of all aspects they consider important which shall include performance of the companies, corporate governance, strategy, risks etc.

The investors should identify the levels of monitoring for different investee companies, areas for monitoring, mechanism for monitoring etc. The investors may also specifically identify situations where they do not wish to be actively involved with the investee companies e.g. in case of small investments.

The investors should also keep in mind regulations on insider trading while seeking information from the investee companies for the purpose of monitoring.

Accordingly, the institutional investors shall formulate a policy on monitoring specifying, inter-alia, the following:

1. Different levels of monitoring in different investee companies. E.g. companies where larger investments are made may involve higher levels of monitoring vis- à-vis companies where amount invested in insignificant from the point of view of its assets under management.

2. Areas of monitoring which shall, inter-alia, include:
a. Company strategy and performance - operational, financial etc.
b. Industry-level monitoring and possible impact on the investee companies.
c. Quality of company management, board, leadership etc.
d. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
e. Risks, including Environmental, Social and Governance (ESG) risks
f. Shareholder rights, their grievances etc.

3. Identification of situations which may trigger communication of insider information and the procedures adopted to ensure insider trading regulations are complied with in such cases

Principle 4:	**Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.**

Institutional investors should have a clear policy identifying the circumstances for active intervention in the investee companies and the manner of such intervention. The policy should also involve regular assessment of the outcomes of such intervention. Intervention should be considered even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand.

Circumstances for intervention may, inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.

The mechanisms for intervention may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors, voting against decisions, etc. Various levels of intervention and circumstances in which escalation is required may be identified and disclosed. This may also include interaction with the companies through institutional investor associations (E.g. AMFI). A committee may also be formed to consider which mechanism to be opted, escalation of matters, etc. in specific cases.

Principle 5:	**Institutional investors should have a clear policy on voting and disclosure of voting activity.**

To protect and enhance wealth of the clients/ beneficiaries and to improve governance of the investee companies, it is critical that the institutional investors take their own voting decisions in the investee company after in-depth analysis rather than blindly supporting the management decisions.

This requires a comprehensive voting policy to be framed by the institutional investors including details of mechanisms of voting, circumstances in which voting should be for/against/abstain, disclosure of voting, etc. The voting policy, voting decisions (including rationale for decision), use of proxy voting/voting advisory services, etc. should be publicly disclosed.

The voting policy shall, inter-alia, include the following:

1. Mechanisms to be used for voting (e.g. e-voting, physically attending meetings, voting through proxy, etc.)

2. Internal mechanisms for voting including:

a. Guidelines on how to assess the proposals and take decision thereon
b. Guidelines on how to vote on certain specific matters/ circumstances including list of such possible matters/circumstances and factors to be considered for a decision to vote for/ against/ abstain
c. Formulation of oversight committee as an escalation mechanism in certain cases
d. Use of proxy advisors
e. Policy for conflict of interest issues in the context of voting

3. Disclosure of voting including:
a. Periodicity of disclosure
b. Details of actual voting for every proposed resolution in investee companies i.e. For, Against or Abstain
c. Rationale for voting
d. Manner of disclosure – e.g. in annual report to investors, quarterly basis on website etc.

4. In case of use of proxy voting or other voting advisory services, disclosures on:
a. Scope of such services
b. Details of service providers
b. Extent to which the investors rely upon/use recommendations made by such services

Principle 6:	**Institutional investors should report periodically on their stewardship activities.**

Institutional investors shall report to their clients/ beneficiaries periodically on how they have fulfilled their stewardship responsibilities as per their policy in an easy-to- understand format.

However, it may be noted that the compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the institutional investor to sell a holding when it is in the best interest of clients or beneficiaries.

Institutional investors shall report periodically on their stewardship activities in the following manner:

1. A report may be placed on website on implementation of every principle. Different principles may also be disclosed with different periodicities. E.g. Voting may be disclosed on quarterly basis while implementation of conflict of interest policy may be disclosed on an annual basis. Any updation in policy may be disclosed as and when done.
2. The report may also be sent as a part of annual intimation to its clients/ beneficiaries.