

# INVESTMENT POLICY

## 1 INVESTMENT OBJECTIVE AND INVESTMENT POLICY

### 1.1 Investment objective

The investment objective of the Company is to generate risk-adjusted returns for Shareholders mainly through investment in equity and equity-related products and instruments, by targeting appreciation in the value of its investments over short and medium term, principally through capital growth.

### 1.2 Investing policy

The Company will seek to achieve its investment objective investing primarily in equity and other products and instruments of predominantly listed and quoted companies where the Board (as advised by the Investment Manager) believes the relevant target company has a solid business model in place, capable of generating current and projected free cash flow at a sustainable pace with strong balance sheets.

The Company will invest primarily in equity and equity-linked securities (and related instruments), as well as debt, convertible debt and other financial instruments with equity characteristics, of companies that the Board (as advised by the Investment Manager) believes typically have at least two or more of the following characteristics:

- ability to achieve a superior risk adjusted return with a medium/long term target IRR of 20 per cent;
- cash generative (or expected to generate cash within a reasonable investment horizon);
- attractive management track records;
- strong fundamentals;
- potential for the relevant company to have a competitive advantage based on the current and future market environment, both on macro and micro-economic terms, and/or
- potential for a liquidity event.

Investments may either be active, being investments made directly by the Company, or passive, being indirect investments made by the Company through similar funds or investment vehicles. The Company may set up (and potentially co-invest in) funds (including cornerstone investments in specialist funds on preferred terms (which may include lower management fees)).

The Company will consider investment in a number of industries and sectors carrying a generalist approach, but will focus particularly on those industries and sectors in which the Directors and the Investment Manager have the necessary expertise and experience to be able to identify and manage the opportunity predominantly comprising the following industries:

- Automobiles & Components;
- Capital Goods;
- Consumer Durables & Apparel;
- Consumer Services;
- Energy;
- Financial Services;
- Food, Beverage & Tobacco;
- Health Care Equipment & Services;
- Household & Personal Products;
- Media & Entertainment;
- Pharmaceuticals, Biotechnology & Life Sciences;
- Real Estate Management & Development;
- Software & Services;
- Technology Hardware & Equipment;
- Transportation;
- Utilities.

The Investments will typically (but will not all) be listed on a Western European and North America stock exchanges, with a predominant focus on the markets of the EU Stock Exchanges.

The Investments allocation and related risk budget will comprise:

- Absolute Return Flexible

1.3 Up to 45% of NAV allocated to more liquid targets with market capitalization equal or above USD 1billion. This portion of Investments will consist of concentrated positions of long opportunities where

catalyst is income and liquidity. The investment horizon will be opportunistic and expected in a range of 6 to 12 months. In this case the Company shall have no restrictions or focus in any particular industry or Stock Exchange.

- Mid and Small Cap

Up to 40 % of NAV allocated to listed Companies ranging from USD 200 million to USD 1 billion market capitalization with a specific focus on targets with market capitalization higher but close to USD 200 million. Highly concentrated strategy with holding period 1 to 3 years.

- Private Equity and Micro Cap

Up to 15% of NAV allocated to listed companies with market capitalization below USD 200 million, and private companies, with maximum investment per company of 20% of the maximum permitted allocation to the Private Equity and Micro Cap allocation. This strategy will be carried out directly, or indirectly in partnership with major private equity investment houses or family offices. The Company's investment holding period and the exit strategy will depend on the underlying asset, exit opportunities and the size of the Company's investment.

The Investment thesis is based on the concept that for each Economic and Business cycle, it is possible to achieve superior absolute returns by using a multistage approach to portfolio Construction. While the Company (as advised by the Investment Manager) is not planning to follow a systematic strategy, the Investment Manager intends to use some quantitative metrics to estimate the phase of the cycle to determine which factor to use in the stock selection process, and to assess risk exposure. That will drive the Company's action especially on the most liquid part of the portfolio aiming at assessing thematic exposure including the factors that best perform in different periods, rather than actively buy and sell security following systematic signals.

In addition, the Company will also make, from time-to-time smaller investments in short term trades, based on an attractive opportunity with the idea of optimizing liquidity, or catching short term opportunity.

The Company deems the combined experience of the Investment Manager and AC and PS, working closely with chief investment officers and senior asset allocators can enhance strong sensitivity to such an approach, in conjunction to the constant reality check against the market. The Company intends to take advantage of such an experience and turn it to the Shareholders. The Company will call this philosophy "Quality at Reasonable Price". That means that the Company, as advised by the Investment Manager, intends to invest in targets with solid business models in place capable of generating current and projected free cash flows at a sustainable pace within strong balance sheets.

**The Company will always invest and manage its investments in a manner which is consistent with the object of spreading investment risk. This means that the Company can also decide not to invest at all and keep fully cash in case the Board (as advised by the Investment Manager) will deem it appropriate under current market conditions.**

#### 1.4 Investment restrictions

The Company will observe the following investment restrictions:

- the maximum investment in or exposure to any single investee company will be no more than 10 per cent. of the Net Asset Value at the time of investment;
- investments in or exposure to unlisted/unquoted companies will be limited to, in aggregate, 15 per cent. of the Net Asset Value at the time of investment;
- the maximum investment in or exposure to any investee company or fund that itself invests in a portfolio of investments will not exceed 30 per cent. of the Net Asset Value at the time of investment; and
- investments concentrated in any one sector or industry shall not exceed 50 per cent. of the Net Asset Value at the time of investment.

The Board expects the portfolio to be relatively concentrated, typically, but not necessarily consisting of exposure to ten to twenty companies once fully invested.

#### 1.5 Borrowing

The Company may use gearing if it believes it will enhance Shareholder returns over the longer term. The Company may take on borrowings of up to 50 per cent. of the Net Asset Value at the time the borrowings are incurred. Borrowings may be used for working capital and/or investment purposes.

#### 1.6 Cash management

The Company may, from time-to-time, have surplus cash. It is expected that any surplus cash will be temporarily invested in cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single A- (or equivalent) or higher credit rating as determined by an internationally recognised rating agency or gilts or otherwise approved by the Board (as advised by the Investment Manager).

The Company will at all times seek to maintain sufficient cash and cash equivalents to cover its forecast working capital requirements for the next 12 months.

#### 1.7 Use of derivatives

The Company may invest through derivatives for efficient portfolio management. In particular, the Company may engage in interest rate and/or currency hedging or otherwise seek to mitigate the risk of interest rate increases or currency fluctuations as part of the Company's efficient portfolio management. Only in the case

of Investments in Absolute Return Flexible, the Company shall invest in any kind of financial instruments, including OTC, short selling, put/call options, and any kind of derivative it may deem appropriate.

#### 1.8 General

The Company may make its investments directly or indirectly via other members of the Group and for cash or share consideration.

#### 1.9 Breach of investing policy

In the event of a breach of the investing policy or restrictions set out above, the Investment Manager shall inform the Directors upon becoming aware of the same and, if the Directors consider the breach to be material, a notification will be made to Shareholders.

#### 1.10 Co-investment arrangements

The Company may co-invest in funds, including alongside other accounts advised or managed by the Investment Manager, Mr Alfredo Caturano and Mr. Piero Sansalone or any other member of the CFE Group, other than any other funds advised by private equity investment partners or asset managers. Where the Company makes any such co-investments the investments will be made on no worse economic terms as those offered to other accounts advised or managed by the Investment Manager, Mr Alfredo Caturano and Mr. Piero Sansalone or any other member of the CFE Group.

#### 1.11 Change to investment objective or investing policy

No material change will be made to the investment objective or the investing policy without the approval of Shareholders, given by ordinary resolution at a general meeting of the Company.