



## **Risk Management Policy**

**Siguler Guff Brasil Gestora  
de Investimentos (Asset  
Management) Brasil Ltda.**

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## INTRODUCTION

This Risk Management Policy aims to define the procedures for identification and monitoring of risk exposure inherent to the business of Siguler Guff Gestora de Investimentos (Asset Management) Brasil Ltda. ("**SG Brasil**").

All mentions hereafter to the Risk Management Officer refer specifically to the individual locally present in São Paulo who is responsible for the day-to-day oversight and enforcement of this policy, the Code of Ethics and Practices, and other policies of SG Brasil. The Risk Management Officer receives regular support from the Siguler Guff & Company ("**Siguler Guff**") Compliance and Legal team based in New York, comprising of 9 professionals, including the Chief Compliance Officer ("**CCO**"), to whom the Risk Management Officer reports. As such, the compliance responsibilities described in this Manual may be implemented by the Risk Management Officer in conjunction with, or be the responsibility of, the Siguler Guff Compliance and Legal team.

**Index**

<b>Content</b>	<b>Page</b>
1 Investment Philosophy .....	4
2 Market's Risk.....	4
3 Liquidity's Risk .....	4
4 Concentration's Risk .....	4
5 Counterpart's Risk.....	5
6 Operational Risk.....	5
7 Credit's Risk .....	7
8 Regulatory and Self- regulatory References.....	8

## **1 Investment Philosophy**

Based on a fundamentalist analysis, SG Brasil provides investment advice and recommendations related to equity investments in privately-held companies either through direct investment or through investment in the funds of other private equity managers. Therefore, practices of an extremely thorough analysis of the company's or fund manager's quantitative and qualitative grounds are adopted, to fully understand the environment in which the company or fund is inserted.

## **2 Market Risk**

Regarding the investment philosophy explained above and the prior and thorough knowledge required to the investment, which greatly reduces the company or fund's unknown information, allows the volatility of the asset price in decision making or management not to be considered. For this reason, the Risk Management Officer has chosen not to use widely known metric calculations and market risk verification (V@R, stress test, etc.) for the development of risk reports or possible active management of the company or fund. To enhance its understanding and mitigate as much as possible such risk, the Risk Manager is supported by the investment team's detailed report which counts with analysis of various research reports, discussion with specialists and senior professionals as well as debates with Siguler Guff's Emerging Markets' ("EM") professionals.

## **3 Liquidity Risk**

SG Brasil restricts its management to closed-end investment funds, which, in turn, invest in closed-end companies. These funds' investment period is always long term and early redemption is not allowed, so that a liquidity analysis of these investments is rarely demanded by SG Brasil.

## **4 Concentration Risk**

The portfolios managed by SG Brasil may have investment guideline limits, including concentration limits, as defined by each portfolio's governing documents. The concentration risk may occur and shall be verified by SG Brasil's investment team prior to initial investment and on a regular basis thereafter.

Whenever an inconsistency is found, it will be pointed out during the regular meeting of the SG Brasil investment team (which occurs weekly) and the movements of this asset

will be monitored over time. By any case, if the concentration of an investment surpasses the limits defined by the firm's guidelines, the team will act proactively to correct that (i.e. holding frequent conversations with managers to understand and project their expected distributions, provide support to accelerate a sale/exit, among others).

## **5 Counterpart's Risk**

The assets invested by the SG Brasil are typically privately-held securities that are not publically traded; therefore there are almost no counterpart's risks.

## **6 Operational Risk**

Operational Risk is the possibility of loss resulting from failure, deficiency or inadequacy of internal processes, people and systems or from external events.

### **6.1 Examples of Operational Risk events:**

- (i) Internal frauds;
- (ii) External frauds;
- (iii) Labor demands and poor security of the workplace;
- (iv) Inappropriate practices related to clients, products and services;
- (v) Damage to own physical assets or in use by the institution;
- (vi) Those that cause the interruption of the activities of the institution;
- (vii) Failures in information technology systems; and
- (viii) Failures in execution, compliance with deadlines and management of activities in the institution.

### **6.2 Process of identification and control of operational risks:**

The operational risk management procedures of SG Brasil are conducted separately from the investment team of SG Basil and are also inclusive of tax, legal and regulatory due diligence on SG Brasil's prospective investments. SG Brasil manages and monitors operational risks by implementing the following:

- (i) Pre Investment

SG Brasil uses checklists for each investment transaction to help ensure that SG Brasil has all relevant information regarding regulatory status, litigation history and background

check history on each prospective investment, as applicable. Operational diligence also requires that transparency is provided regarding the prospective investment's accounting practices, infrastructure, internal controls, operations and reporting processes. Once the review is complete, a risk assessment of the investment is performed based on the due diligence findings as well as in the context of the investment's strategy and structure. The resulting risk rating will determine next steps, which may include site visits to the company or fund, and direct contact with the prospective investments' senior management. Until all responsible areas have signed off on their portions of the checklists, the investment will not move forward to the Siguler Guff Investment Committee for approval.

(ii) Post Investment

Operational risks for SG Brasil's investments are monitored on an ongoing basis via regular meetings of Siguler Guff's various governance committees, which discuss and resolve regulatory, legal, tax and various other operational issues. Siguler Guff's regular governance committees are: Operations Committee (monthly), Compliance Committee (monthly), Valuation Committee (quarterly) and Audit Committee (semi-annually).

### **6.3 Responsibilities:**

SG Brasil's risk management policy is systemic and involves all Collaborators without exception. The overall coordination of operational risk management activities is performed by the Risk Management Officer, with aid from internal Siguler Guff departments, including the Siguler Guff EM team, Siguler Guff Compliance, Legal, Tax, and Operations teams, and SG Brasil Collaborators directly involved in the risk management function. The Risk Management Officer is chosen by the partners of SG Brasil, with input from the senior management of Siguler Guff. The Risk Management Officer reports directly to the partners of SG Brasil and the Chief Compliance Officer ("CCO") of Siguler Guff.

If necessary, as a product of the risk policy's annual evaluation, the Risk Management Officer may produce an annual report with the main items related to SG Brasil's operational risks. This report may include quantitative and qualitative risks assessments and projections of financial impacts. The report will be presented, if necessary, to the partners of SG Brasil and the CCO of Siguler Guff demonstrating the potential operational risks and later filed for future reference. Throughout the year, events that are related to operational risk will be cataloged for analysis of previous reports.

**7 Credit's Risk**

As indicated at item 1 above, the Investment Philosophy of SG Brasil is to make private equity investments and does not typically allow the purchase of private credit. Despite that, from a due diligence perspective, a credit risk analysis of the manager and/or company to be invested directly is usually performed. If any risk is identified, and the investment is performed, the internal investment professionals, with the support from the Risk Management Officer perform periodical assessments to monitor the invested assets' credit risk profile.

**8 Regulatory and Self- regulatory References**

SG Brasil has the necessary knowledge to avoid operational risks and is aware of the importance of these risks' serious treatment, especially in respect of its clients and the company. The company believes that this policy complies with the Brazilian Central Bank Resolution No. 3380 and with the Brazilian Securities Exchange Commission Instruction No. 558.