



# Charlemagne Capital

## ADV PART 2A

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This brochure provides information about the qualifications and business practices of Charlemagne Capital (IOM) Limited. If you have any questions about the contents of this brochure, please contact us at 441624640200 or [compliancegroup@charlemagnecapital.com](mailto:compliancegroup@charlemagnecapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Charlemagne Capital (IOM) Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes**

None, this is first version.

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## 1. Advisory Business

The Charlemagne Capital Group (the “Group”) is an independent investment management group. Shares in Charlemagne Capital Limited (“CCL”), the Group’s Cayman Islands parent, are publicly held and were admitted to trading on the AIM market of the London Stock Exchange in April 2006. CCL is the 100% owner of Charlemagne Capital (IOM) Limited (“CCIOM”) and its sister company Charlemagne Capital (UK) Limited (“CCUK”).

CCIOM, based in the Isle of Man, provides investment management services for the Group; CCUK, based in London, provides investment advice and marketing services.

CCIOM was incorporated in 1996 and is licensed by the Isle of Man Financial Supervision Commission as well as being registered as an investment adviser in the United States with the SEC under Section 203(c) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). CCUK is also registered as an investment adviser with the SEC.

The Group’s principal activity is investment management in global emerging markets, providing a range of investment management and advisory services in respect of mutual funds, specialist funds, private equity vehicles, institutional pooled and segregated portfolios.

Neither CCIOM nor CCUK provides services to retail investors.

Advisory services provided are tailored according to the needs of each client and as specified by each investment mandate and where applicable as set out in a fund’s offering document or a segregated account’s investment guidelines.

CCIOM does not participate in wrap fee programs.

As of 30 June 2011, the Group managed the following client assets:

Discretionary basis: USD 2,918,107,292

Non-discretionary basis: USD 375,154,053

## **2. Fees and Compensation**

CCIOM is generally paid a fee equal to a specified percentage of the assets of a client's portfolio. CCIOM may additionally receive a performance fee from a client. Fees may be negotiable and can vary.

CCIOM may appoint sub-distributors for the purpose of introducing potential investors into client funds via a contract which defines a fee rebate payable to the sub-distributor.

CCIOM charges only investment management fees and very rarely, fees in respect of corporate services associated with the investment management mandate (only in respect of specific private equity vehicles).

Client fees are charged as set out in the relevant investment management agreement or offering memorandum.

Clients are not required to pay fees in advance.

None of CCIOM's supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **3. Performance Based Fees and Side-By-Side Management**

CCIOM may charge a performance-based fee on certain accounts. Additionally, some clients may be charged performance fees on certain accounts but not on all accounts. Where portfolios are managed in accordance with the same strategy, strict controls are in place to ensure that all portfolios are managed, and in particular that all investment decisions are applied, equitably without regard to charging structure. CCIOM has in place a written policy on the allocation of aggregated orders that is consistently applied.

Performance-based compensation may create an incentive for CCIOM to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated will include unrealized appreciation and depreciation of investments that may not ultimately be realized.

#### **4. Types of Clients**

CCIOM provides investment advice and investment management services to a range of mutual funds and other financial institutions. It does not provide advice or other services directly to retail investors, though its institutional clients may deal direct with retail investors.

## **5. Methods of Analysis, Investment Strategies and Risk of Loss**

CCIOM manages client assets using a bottom-up stockpicking process that relies on intensive, on-the-ground qualitative research and disciplined, price-focused financial modelling. This investment process draws heavily upon the experience and expertise of the Group's portfolio advisers within CCUK.

CCIOM manages only emerging market assets, with a variety of investment strategies designed to meet the needs of its clients. Most strategies are equity-based, though there may be some exposure to property and bonds. Equity strategies include a range of UCITS compliant long-only mutual funds as well as a long/short hedge fund. CCIOM also manages pooled and segregated accounts for institutional clients. Strategies may be global, regional or country-specific. In addition, CCIOM manages a number of closed-end property vehicles and has the experience and ability to construct special purpose vehicles to gain exposure to particular emerging market assets.

Investing in emerging markets involves risks that clients should be prepared to bear. Detailed information is generally given in the relevant prospectus or investment management agreement. Investors are however exposed to the following risks.

Administrative Risk is the risk that the operational structures and procedures put in place to ensure adherence to an investment mandate fail. The Compliance Department monitors this using daily reports that detail any potential breaches. All breaches are monitored closely and followed up systematically. Order generation, execution and settlement are segregated functions. Any order generated is processed and checked for compliance, availability and liquidity issues. A portfolio adviser within CCUK then reviews and agrees an order before it is passed to the dealer based within CCIOM who then executes the trade. The Settlements department within CCIOM, later performs a reconciliation of instruction and execution.

Market Risk is the risk that unforeseen developments in the financial markets or elsewhere have a negative impact on investment performance, as a result of speed, severity or other factor. Members of the investment team review market conditions on a regular basis to assess whether any changes are required to stock price targets or portfolio construction.

Portfolio risk concerns portfolio construction and the likely variability of the return generated by the portfolio, often with respect to a stated benchmark. This is the responsibility of the Group's Risk Manager within CCUK.



## **6. Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of CCIOM's advisory business or the integrity of CCIOM's management.

## **7. Other Financial Industry Activities and Affiliations**

CCIOM delegates certain advisory functions to its UK based sister company, CCUK, which houses portfolio advisory personnel specialising in investment advice. CCIOM typically delegates via an internal delegation agreement. CCIOM is under common control with CCUK. Please refer to Item 1.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

CCIOM's Compliance Manual (the "Manual") governs the personal securities transactions of its personnel and also sets out the Code of Ethics. Clients or prospective clients may contact the Compliance Department via e-mail ([compliancegroup@charlemagnecapital.com](mailto:compliancegroup@charlemagnecapital.com)) or telephone (441624640200) to request a copy of the relevant Manual content.

CCIOM restricts its personnel from trading in securities that are being considered for purchase or sale for a client and requires personnel to obtain pre-clearance of securities transactions and the reporting of personal securities holdings and transactions periodically. Should it be the case that at any stage a member of personnel wishes to purchase or sell stock held by any of CCIOM's clients ahead of any transactions to be carried out on the clients behalf, a clear time separation must be demonstrated before approval will be considered. The best interest of the client always takes precedence.

The Manual contains other provisions required by Rule 204A-1 under the Advisers Act. The Manual describes the fiduciary obligations of CCIOM and its personnel, and requires CCIOM's personnel to comply with applicable federal securities laws and to report any violations of the Manual to CCIOM's Chief Compliance Officer.

## **9. Brokerage Practices**

### **a) Broker Selection**

CCIOM maintains a list of approved brokers. CCIOM uses only the brokers on this list, which it reviews regularly. CCIOM requires its counterparties to be creditworthy and approves brokers on this basis. Broker exposure is monitored. CCIOM operates a system of transaction cost analysis to assess broker performance and may target commissions with selected brokers.

In determining which broker to use for a specific trade, CCIOM operates a policy of best execution, taking into account such factors as price, order size, likelihood of execution and settlement, speed and costs. Where CCIOM executes orders in shares of less liquid companies, the ability to execute the order in the required volume is often the key factor determining execution. In practice this may mean that only a single broker is capable of delivering the required volume.

### **b) Soft-Dollar Arrangements**

CCIOM does not undertake any soft-dollar arrangements and specifically does not pay commissions to receive research or other services from brokers. Any incidental research or other services received from brokers is used for the benefit of all clients.

### **c) Brokerage for Client Referrals**

CCIOM does not consider client referrals from brokers when selecting brokers.

### **d) Directed Brokerage**

CCIOM does not accept directed brokerage. If any client recommends the use of a specific broker, that broker will only be used if such use is consistent with the policy of best execution.

### **e) Trade Aggregation**

CCIOM aggregates trades for the benefit of its clients. Aggregated trades are allocated according to a policy that aims to be equitable for all clients. Allocation is determined before trading. Own account trades are not aggregated with client trades unless clients are not disadvantaged.

## **10. Review of Accounts**

### **a) Client Account Reviews**

CCIOM, together with the portfolio advisers within CCUK, continuously monitor and review client portfolios as part of an effective investment management process.

### **b) Client Reports**

Institutional clients generally receive monthly, quarterly and/or annual written performance reports; the frequency and nature of any reporting usually forms part of the relevant investment management agreement.

Regular monthly reporting is available for mutual funds.

## **11. Client Referrals and Other Compensation**

CCIOM (or CCUK) may appoint sub-distributors for the purpose of introducing potential investors to client funds via a contract which defines any fee e.g. management fee rebate payable to the sub-distributor calculated on a case by case basis. CCIOM does not comply with the Advisers Act regarding cash payments for client solicitations with respect to non-U.S. Clients.

## **12. Custody**

CCIOM does not retain custody of client assets. Clients receive account statements directly from the custodian or administrator appointed by the client.

### **13. Investment Discretion**

Levels of investment discretion are clearly defined in the investment management agreement with the client. CCIOM generally manages client assets on a discretionary basis. Clients may impose restrictions, limitations or other requirements.



## 14. Voting Client Securities

CCIOM has adopted Proxy Voting Policies and Procedures that are designed to ensure that CCIOM votes proxies with respect to client securities in the best interests of its clients. CCIOM also identifies and addresses conflicts of interest between CCIOM and its clients. If a material conflict of interest exists, CCIOM will determine whether voting in accordance with the guidelines set forth in these procedures is in the best interests of the client or take some other appropriate action.

CCIOM generally votes in favour of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated). Generally, CCIOM will vote against proposals that make it more difficult to replace members of a board of directors.

For all other proposals, CCIOM will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others:

- (i) whether the proposal was recommended by management, and CCIOM's opinion of management
- (ii) whether the proposal acts to entrench existing management; and
- (iii) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of CCIOM's Proxy Voting Policies and Procedures and information about how CCIOM voted a client's proxies upon request to the Compliance Department via telephone: (441624640200) or e-mail ([compliancegroup@charlemagnecapital.com](mailto:compliancegroup@charlemagnecapital.com)).

## **15. Financial Information**

CCIOM does not suffer any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.