

# Form ADV Part 2A

## Brochure

### **Item 1 – Cover Page**

Genesis Investment Management, LLP  
21 Knightsbridge  
London, SW1X 7LY  
United Kingdom  
Telephone number: +44 207 201 7200

31<sup>st</sup> March 2011

This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Genesis Investment Management, LLP (the “Firm” or “Genesis”). If you have questions about the contents of this Brochure, please contact Marguerite Mills at + 44 20 7201 7200 or [mills@giml.co.uk](mailto:mills@giml.co.uk). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about the Firm is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Firm who are registered, or are required to be registered, as investment adviser representatives of the Firm.

Although the Firm is registered as an investment adviser under the Investment Advisers Act of 1940, such registration does not imply that the Firm or our personnel have a certain level of skill or training.

*31<sup>st</sup> March 2011*

## **Item 2 – Material Changes**

On July 28, 2010, the SEC published Release No. IA-3060, “Amendments to Form ADV,” which significantly changed the form and content of the Brochure that we must provide to our advisory clients. As a result, this Brochure is materially different from the disclosure document we were previously required to make available to our advisory clients. This Brochure has been drafted in accordance with the new format mandated by the SEC.

In the future, this Item 2 will include the date of the Brochure’s last annual/interim update and a summary of specific material changes that have been made to the Brochure since the time of that update.

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#### **Item 4 – Advisory Business**

The Firm specializes in managing investments in emerging markets equities for institutional investors. Please see Item 7 – Types of Clients of this Brochure for more information with respect to the Firm’s clients. The Firm provides such investment management services on a discretionary basis.

The Firm was organized in the United Kingdom in 2004 but taking into account its predecessor entities, the Firm has been in business since 1989. The Firm currently has one corporate partner and eleven individual partners and operates through an operating board and series of committees described below. The Firm’s principal office is in 21 Knightsbridge, London, SW1X 7LY United Kingdom. The Firm serves as an investment manager and investment adviser or sub-adviser to various clients, including, but not limited to, pension plans, endowments, foundations, investment companies and governmental entities. With one exception, these are clients of the Firm’s parent entity, Genesis Asset Managers, LLP (GAM). GAM is appointed by the clients as the investment manager. GAM in turn has delegated certain of its investment management responsibilities including day to day stock selection to the Firm. The Firm also provides investment management services to one non-US client which is not also a client of GAM. Unless otherwise specified, the clients referred to in this Brochure shall include the clients of GAM and the one direct client of the Firm. Please see “Item 7 – Types of Clients” of this Brochure for more information with respect to the Firm’s clients.

#### **Principal Ownership**

The Firm’s principal owner is GAM. GAM was organized as a limited liability partnership in Delaware in 2004 but taking into account its predecessor entities, GAM has been in business since 1989. GAM is the managing member of the Firm and holds a majority interest in the Firm.

GAM’s principal owner is Affiliated Managers Group, Inc. (“AMG”). AMG holds its interest in GAM indirectly through two wholly owned subsidiaries: AMG Genesis, LLC and AMG New York Holdings Corp.

AMG, a publicly-traded asset management company (NYSE: AMG) with equity investments in boutique investment management firms, holds an indirect equity interest in the Firm. AMG also holds equity interests in other investment management firms (“AMG Affiliates”). Each of the AMG Affiliates, is operated autonomously and independently, and except as described in this Brochure. Further information on GAM, AMG and AMG’s Affiliates is provided in Item 10.

The remaining interest in the Firm is owned by eleven individual partners in the Firm. Since the formation of the Firm, the individual partners in aggregate have held approximately 40% of the equity in issue and AMG have held the balance of 60%. As a result of growth, the amount of equity in issue has been increased by 17%, all of which has been awarded to individual partners. Therefore, as at the end of March 2011, the individual partners in aggregate own 49% of the equity in issue and AMG owns 51%. Five of the individual partners each own more than 5%.

Each of these individual partners has contributed capital to the Firm and entered into a commitment to remain in the Firm for a minimum fixed period. Ten of these partners are investment team members and the eleventh partner serves as the Chief Operating Officer (COO), Chief Financial Officer (CFO) and Chief Compliance Officer (CCO). Further details on these individuals are included in the Brochure Supplement.

The Firm is managed by an Operating Committee comprised of the Managing Partner and COO (who also serves as CFO and CCO). The Operating Committee refers all material matters to the full partnership for consideration and the day to business is overseen by several formal committees which include Portfolio Coordination Team (for Investment), Finance Committee, Operations Executive Committee and Client Services/Marketing Committee. Such committees meet regularly and are comprised of partners and directors. Further details of the roles and responsibilities of some of these committees are set forth below.

Unless otherwise specified, the description of the Firm and its clients in this Brochure includes the business and clients of GAM. More details on GAM are available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Genesis Group Structure**

The "Genesis Group" is organised as two interlocking entities. With one exception, GAM is appointed by clients as the investment manager/adviser and GAM delegates certain of its responsibilities, including day to day stock selection, to the Firm. The delegation to the Firm is set forth in a written Investment Advisory Agreement.

The Firm also performs various administrative and back office functions for GAM and GAM's clients including portfolio reviews, trade processing, production and distribution of client reports and portfolio valuations, pursuant to a written Administration Agreement. With the exception of one non-US client account in which the Firm is directly appointed as the investment manager, the investment management/advisory and administrative functions as performed by the Firm are at all times subject to the oversight and management of GAM. A formal review of the Firm's performance is conducted quarterly by GAM. Therefore the day to day investment and administrative operations of the Genesis Group are centralised at the Firm's offices in London. Further information on the Investment Advisory and Administration Agreements is provided in Item 10.

### **Advisory Services**

The Firm is a specialist investment management firm which focuses on investment in emerging markets equities for institutional investors. As of 28<sup>th</sup> February 2011, the Firm had US\$28.3 billion in assets under management.

The Firm primarily utilizes its own independent research and analysis, and uses a bottom-up investment approach to create a diversified portfolio of emerging market equities. The Firm does not construct portfolios with reference to an index. The Firm believes that it can benefit its client accounts by identifying good quality companies which operate in emerging market countries and investing in them on behalf of its client accounts when they are underpriced by the market. The Firm generally defines an emerging market by reference to the World Bank "Developing Countries" classification published annually in the World Development Indicators Report. The Firm has a long term investment horizon.

As a general principle, the Firm does not use derivatives to supplement our investment strategy nor does the Firm short stock. However, the Firm may invest in depositary receipts, synthetics or participation notes if direct local holdings in a market are not permitted or less advantageous. In addition, the Firm does not hedge directly against currency fluctuations between the currencies of emerging markets stocks and its base currency of US\$.

As a specialist manager in emerging market equities, the majority of client portfolios are global emerging market equities and there are substantial similarities in the underlying holdings. The Firm manages such portfolios with a similar investment strategy. However, the Firm

recognizes that all of our clients are unique and, therefore, their investment needs may be different. As such, we may modify our core global emerging market equity strategy, as necessary, to meet the goals that our clients specify, in an effort to accommodate the particular investment objectives and accompanying restrictions requested by our clients. At the commencement of the client relationship for a separate account client, each of such clients executes an investment management agreement, which sets forth their investment objectives, investment strategy and any investment restrictions that will be applicable to our management of the assets in the client's account. Prior to the execution of the agreement, we review requested objectives and restrictions and work with the client as needed to refine these objectives and restrictions to both meet the client's needs and provide us with sufficient discretion to properly invest the client's assets. With respect to the management of pooled vehicles, the investment objectives and restrictions are set forth in the relevant offering document. For example, some clients do not permit investment in the securities of companies which operate in certain countries or which manufacture tobacco or are involved in the gambling industry.

### **Wrap Fee Programs**

Wrap fee programs whereby clients select an investment adviser to manage funds through an investment program presented to the clients by a third-party program sponsor and clients generally pay the wrap program sponsor a single fee (called a "wrap fee") for consulting, brokerage, custodial, portfolio monitoring, and investment management services and such sponsor pays a portion of the wrap fee to the investment adviser.

The Firm does not have any involvement in such wrap fee programs.

### **Assets Under Management**

As noted above, as of 28<sup>th</sup> February 2011, the Firm's client assets under management total ("AUM") is US\$28.3 billion all of which is managed on a discretionary basis. Please see Firm's Form ADV Part 1A – Item 5.F for more information.

### **Item 5 – Fees and Compensation**

Pursuant to the Investment Advisory Agreement between the Firm and its parent GAM, the Firm charges the following fee to GAM in connection with the Firm's services to GAM's clients:

a monthly fee calculated at the rate of 0.3% per cent per annum of the aggregate value of the net assets under management of the clients.

Such fee is to be paid in respect of each calendar month on the first day of the relevant calendar month and is to be calculated by reference to the forecast of net assets of the clients on the last day of such month.

Also pursuant to the Investment Advisory Agreement, GAM shall pay to the Firm two-thirds of any performance fee received by GAM with respect to its clients. The Firm has the right to exercise the power of set-off with respect to fees paid by GAM in advance and fees earned.

Pursuant to a written Administration Agreement, the Firm provides GAM with certain administrative services in respect of the Firm's management activities and clients. Such administrative services include management of records, review and valuation of portfolios and

preparation of reports, statements and other written materials. GAM pays a monthly fee, as calculated on the value of total month-end assets based on the following schedule:

<b>Annual Rate</b>	<b>Assets</b>
0.05%	First US\$100 million
0.04%	Next US\$400 million
0.03%	Next US\$500 million
0.01%	Thereafter

A minimum monthly service charge of US\$4,000 per account managed applies.

The Firm also provides investment management services to one non-US client which is not also a client of GAM. The investment management fees for this discretionary segregated account directly managed by GIM is as follows:

<b>Annual Rate</b>	<b>Assets</b>
1.10%	First US\$50 million
0.90%	Next US\$50 million
0.75%	Next US\$25 million
0.60%	Next US\$125 million
0.45%	Thereafter

The above fee is generally payable monthly in arrears and is charged on the daily valuation of the portfolio. It is not anticipated that the Firm will accept the direct management of any additional client accounts which are not also clients of GAM.

The fee under the Investment Advisory Agreement, the Administration Agreement and the management fees charged directly to the non-US client above are computed as a percentage of the value of the assets under management. To calculate such fees, the Firm relies on prices provided by third-party pricing services, custodians, and/or broker/dealers for purposes of valuing portfolio securities held in client accounts. The Firm may, on occasion, be required to 'fair value' a security when a market price for that security is not readily available or when the Firm has reason to believe that the market price is unreliable. When 'fair valuing' a security, the Firm will use various sources of information at its disposal to determine a fair price that the security would obtain in the marketplace if, in fact, a market for the security existed. For any fair valued securities, the Firm maintains policies and procedures relating to the pricing process, in an effort to mitigate any conflicts of interest with respect to valuation. The Firm's conclusions on the fair value of a security are communicated to the relevant third party who is responsible for the formal valuation of the portfolio (for example, the global custodian appointed by a client for a segregated account or the administrator/custodian of a pooled vehicle).

Further information on the management fees charged to GAM clients is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

### **Performance-Based Fees**

The Firm does not charge fees based on performance or the net profits of the assets being managed. However as noted above, under the Investment Advisory Agreement, GAM shall pay to the Firm two thirds of any performance fee received by GAM with respect to its clients.

Further information on the performance fees charged to GAM clients is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Side-by-Side Management**

As a specialist in emerging market equities, (core product – one format), our investment professionals simultaneously manage multiple types of client portfolios (including separate accounts and pooled funds) according to the same or a similar investment strategy (i.e., side-by-side management). The simultaneous management of these different portfolios creates certain potential conflicts of interest, as the fees for the management of certain types of client accounts may be higher than others. Nevertheless, when managing the assets of such accounts, the Firm has an affirmative duty to treat all such accounts fairly and equitably over time.

Although the Firm has a duty to treat all portfolios within an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that the Firm use the same investment practices consistently across all portfolios. In general, investment decisions for each client account may be made independently from those of other client accounts, and will be made with specific reference to the individual objectives of each client account. Furthermore, different client guidelines and/or restrictions, operational issues such as custody facilities and availability of cash, may lead to the use of different investment practices for portfolios within a similar investment strategy. As a result, although the Firm manages numerous portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Since side-by-side management of various types of portfolios raises the possibility of favourable or preferential treatment of a portfolio or a group of portfolios, the Firm has procedures designed and implemented in furtherance of its efforts to treat all portfolios fairly and equally over time. By utilizing these procedures, the Firm believes that portfolios that are subject to side-by-side management alongside other products are receiving fair and equitable treatment over time.

To maintain fair and equitable treatment of all accounts, the Firm has implemented specific controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure.

- The Firm's portfolio and dealing procedures are designed to ensure that all eligible portfolios (segregated accounts and pooled vehicles) have an equal opportunity to participate in any investment opportunity at the same time. This applies to IPOs and limited offerings.
- Trades are allocated on a pro-rata basis across eligible client accounts unless there are specific business reasons to allocate otherwise. Partial fills are allocated pro-rata unless they are so small that this is uneconomic.



- Holdings of client portfolios are reviewed on a regular basis by the relevant members of the investment team (PCT). See Item 8.
- Monthly cross comparison by the Investment Analytics team of client portfolio with similar mandates. Regular PCT review of such findings including full review of performance, attribution and omissions.
- Allocation tested internally by the Compliance Department on a quarterly basis.
- Relevant controls are externally reviewed as part of the AAF Report on Internal Controls.
- Written Conflicts of Interest Policy maintained and reviewed at least annually. See Item 12.

These activities, along with other controls existing in our organization, provide an environment that fosters the fair and equitable treatment of all accounts managed by the Firm.

## **Item 7 – Types of Clients**

### **Types of Clients**

The Firm provides portfolio management services to one foreign collective investment fund. This direct appointment was made to the Firm (rather than the appointment of GAM as the investment manager and delegation of responsibilities to the Firm as with all other Genesis client accounts) as an accommodation to this particular client. The Firm does not expect to accept any future direct appointments or investment management services.

In addition pursuant to the delegation of investment management services under the Investment Advisory Agreement, the Firm provides portfolio management services to GAM's clients. Such clients are institutions and include corporate pension and certain defined pension, Taft-Hartley plans, public pension plans, charitable institutions, foundations, endowments, registered mutual funds (on a sub-advisory basis), private investment funds, limited partnerships, trust programs, sovereign funds, foreign collective investment funds such as SICAVs (Société d'Investissement A Capital Variable), and other U.S. and international public, quasi-public, and private institutions.

The clients described in this Brochure include the one foreign collective investment fund managed directly by the Firm and GAM's clients.

### **Conditions for Managing Accounts**

As a general rule, the Firm currently requires a minimum account size of US\$40 million for institutional investors in its pooled funds and US\$400 million for segregated client accounts. However, the minimum account size may be waived or modified at the Firm's discretion. Lower minimums have applied in the past. Generally, the Firm requires each client to execute an investment management agreement that details the nature of the discretionary investment advisory authority given to the Firm. Currently the Firm has only one investment management agreement in place and all other services are provided to GAM under the Investment Advisory or Administration Agreements. The Firm does not expect to accept any future direct appointments or investment management services.

## **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

### **Strategy Overview**

The Firm is a discretionary asset management firm specializing in emerging market equities. The majority of client portfolios consist of global emerging market equities although the Firm has established several specialist investment vehicles which focus on a country, region or small cap emerging market equities.

The Firm uses a pure bottom-up investment approach and we follow a stock-picking investment philosophy. All client portfolios are managed on a team basis: responsibility for all client portfolios is shared amongst the investment team with each member of the team having accountability for their own stocks. We have a long term investment horizon. Our primary emphasis is on the analysis and interpretation of information from individual companies operating in emerging markets, thus the vast majority of the investment team's time is spent on security selection.

In line with our philosophy, all members of the team take responsibility for company analysis. The key stages in our process are as follows:

- Idea Generation and Initial Review;
- Detailed Research and Model;
- Recommendation; and,
- Portfolio Construction

### **Idea Generation and Initial Review**

All members of the investment team have been analyzing emerging markets companies for many years and travel extensively throughout the year to gain first hand research experience. Ideas for new potential investments come from a number of sources, including for example:

- meetings with the management and staff of companies we are invested in
- the local contacts whom we meet during our visits to emerging market countries such as consultants, policy-makers, economists, and even local brokers who may cover stocks that are not covered by global broking firms
- regular internal global industry reviews
- IPOs
- a period of very strong or very weak performance that may draw a particular company to our attention

Once it is deemed worthwhile to spend time doing further analysis on a particular idea, the investment team will focus on whether the company is able to generate (and sensibly allocate) free cashflow, on the quality of its management and assets, and on how it treats its workforce and the environment as well as its shareholders. New names are assigned a 'stock owner' who takes responsibility for looking more closely at the company.

### **Detailed Research and Model:**

Our research process is heavily dependent on proprietary internal research with particular emphasis on adding value at the company analysis level.

All members of the investment team have analysis as their primary responsibility and aim to identify attractive stocks for inclusion in client portfolios. Country research responsibilities are

assigned based on past experience, linguistic ability and a policy which avoids concentration exclusively on one region of the world. Key countries likely to produce a flow of investment ideas going forward have two, three, or – in the case of China – four individuals assigned to them. Each industry has a principal analyst with global research responsibility, studying trends and benchmarking emerging market companies to their developed world peers.

Every company which we cover is assigned a ‘stock owner’ from the relevant country team, and they take responsibility for ‘stewarding’ that stock through the investment process. The stock owner takes the lead role on the research into that company.

The Firm believes that company interviews are the most effective insight into stocks in emerging markets and they make up the core of our research process. We do not invest in a company without having first interviewed the management. The interviews (over 1,000 a year) that we conduct develop our knowledge of individual companies and allow a comparison with peers and competitors globally, including in developed markets.

Management interviews are essential to establish that a company has:

- capable, entrepreneurial and honest management,
- an appropriate attitude to its shareholders
- a clearly thought-out long-term business strategy, and
- the financial and human resources to execute it

Discounted cashflow analysis is the dominant valuation tool employed. It is the Firm’s view that this is the simplest and purest way of comparing companies across different markets and sectors in a like-for-like fashion – which is crucial for an investment process such as ours.

Assuming the management is judged capable of executing the business strategy, and assuming that strategy seems attractive within the global context of that industry (employing varied industry-specific ratios and benchmarks to judge productivity and efficiency), financial projections for a minimum of five years are prepared in order to estimate an intrinsic value for the business based on its forecast ability to repay equity owners through the free cashflow generated by the business. These projections are based on our understanding of the company’s operating environment and its likely growth. Forecast future free cashflows are valued in present-day terms by employing a discount rate deemed appropriate to the investment risk represented by that company within the industry and country or countries in which it operates. These financial projections are recorded on our proprietary investment database, which is able to rank or aggregate stocks according to a wide range of criteria. In general, the stocks included in a client portfolio are those selling at the greatest discount to their intrinsic value.

Other material sources of information used by the Firm include, but are not limited to, quantitative data provided by third-party vendors, financial newspapers and magazines, research materials prepared by third parties, corporate rating services relating to historical prices of securities, dividends, and earnings, annual reports, prospectuses, filings with the SEC or other regulatory bodies, and company press releases.

## **Recommend**

While the stock owner takes the lead role in analysing the stock, a key element of our process is the collaboration that occurs at every stage of the research process. The stock owner will discuss the stock and its model with the other members of the country team, with the relevant industry specialist, and will ultimately receive comments and challenge from all members of the investment team before the stock goes forward as a recommendation for inclusion.

This team-based collaboration – combining individual responsibility and conviction with the collective wisdom of a small group of experienced investors – is, we feel, an important element of the success of the process. Our clients benefit from our many years of on the ground research experience, but also know that any stock in the portfolio has been vigorously debated by the group as a whole before being included.

Candidates for inclusion in a client portfolio are put forward for potential purchase once the stock owner, assisted by comments and suggestions from other members of the team, has created a detailed financial model for the business (market capitalisation and liquidity are considered at an early stage: if the stock owner deems these too low the initial analysis will not be done).

The stock owner passes a summary of the model and its assumptions to the whole investment team, all of whom are responsible for generating questions, challenges and debate. This may result in further refinements to the model, after which the stock is formally recommended for inclusion. All recommendations are presented to the full investment team to ensure that all eligible client portfolios have an equal opportunity to participate in any investment opportunity at the same time.

### **Portfolio Construction**

The responsibility for the coordination of stocks in a client portfolio lies with the members of the investment team who make up the Portfolio Coordination Team (PCT). There is one PCT for the Firm's core global emerging market strategy and separate PCTs for each specialist fund strategy. It is the role and responsibility of the PCT to optimize client portfolios in terms of return and risk, considering stock recommendations and deciding on the appropriate weight for new stocks, as well as any other changes that need to be made to the portfolio (sales, reductions) to accommodate them. Individual stocks and groups of stocks that may be highly correlated are examined for risk and return characteristics and weightings are assigned or adjusted accordingly.

The PCT uses the Firm's internal database to monitor the expected return from a stock at the prevailing market price. In general, stocks included in client portfolios will be those trading at the greatest discount to our assessment of their intrinsic value. Global emerging market portfolios are generally subject to a 5% limit in any individual stock and a 25% limit in any country at the time of purchase. A new stock may be added to a portfolio following an investment recommendation from the stock owner that has been circulated to the investment team for comments and criticism. In considering the recommendation, the PCT will look at the stock's expected return at the prevailing market price (that is, the uplift from that price to the estimated intrinsic value) compared to the existing expected return of the portfolio, the impact the stock would have on overall portfolio risk and its stockmarket trading liquidity. In consultation with the stock owner, the PCT decides if the stock warrants a place in the portfolio and accordingly assigns an initial weight of typically between 1% and 2%.

Specialist funds have more concentrated portfolios and are subject to different investment guidelines as outlined in the relevant offering document.

Stocks in the portfolio that offer a lower expected return than the average of the portfolio may be reduced in favour of stocks that potentially can increase the expected return of the portfolio. In addition, a stock owner can propose selling a stock on recognizing a material deterioration of any of the assumptions (qualitative or quantitative) underlying the intrinsic value estimation for that stock.

## **Related Risks**

Investment in emerging markets involves a multitude of risks. All emerging market securities include a risk of loss of principal and any profits that have not been realized. The stock markets, on which such emerging market securities trade, fluctuate substantially and, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets the Firm manages on its clients' behalf, and such a loss may be out of our control. We cannot guarantee any level of performance and cannot guarantee that clients will not experience a loss of account assets.

Investment in emerging markets may involve additional risks not typically associated with investing in more developed markets. Such risks include but are not limited to those specifically discussed below.

Recent turmoil in global financial markets which originated in developed market economies has resulted in exceptional volatility. Furthermore, the level of governmental intervention in financial markets in the past few months has been unprecedented. Uncertainty exists with respect to the longer term impact of such events on both developed economies and emerging market countries.

Some of the emerging market countries have securities markets to which foreign investors have only limited direct or indirect access, while others have securities markets to which foreign investors do not presently have access. While the Firm would expect that at some time in the future some or all of these markets will become accessible to foreign investors, there can be no assurance that this will be the case.

In certain emerging market countries, portfolio investment by foreign investors may require consents or be subject to limitations, and repatriation of investment income, capital and the proceeds of sales by foreign investors may require government registration and/or approval. A client's portfolio could be adversely affected by delays in or a refusal to grant any required government approval or by the lack of availability of foreign exchange. In addition, there is in some countries a higher possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war) which could adversely affect the economies of such countries or a client's investments in those countries. Such events may also limit, interfere and/or delay the pricing or trading of securities in the stock markets of such countries for significant periods of time. The economies, the currencies and the financial markets of a number of the emerging market countries have recently experienced extreme volatility, exposing investment in the markets of those countries to greater than usual risk.

In addition, a client's portfolio could be adversely affected by future changes in the applicable tax laws, including without limitation those relating to foreign withholding.

A client's portfolio will be invested in securities of companies in various countries and income will be received by the client in a variety of currencies. However, the value of the client's portfolio will typically be computed in US dollars. The value of such assets as measured in US dollars may be affected favourably or unfavourably by fluctuations in currency rates and exchange control regulations. The Firm does not hedge against currency movements or other risks. Further, the client's portfolio may incur costs in connection with conversions between various currencies.

Companies in emerging market countries are not always subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in developed market economies. As a result, investment decisions may

be based on less accurate and limited information. In addition, there is generally less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies in emerging market countries than in countries with more advanced securities markets. Capital requirements for brokerage firms are generally lower in emerging market countries. Further, foreign investors may encounter difficulties or be unable to pursue legal remedies and obtain judgments in emerging market countries. Practical settlement difficulties are more common than in developed market economies.

Brokerage commissions, custodial services, and other costs relating to investment activities are generally more expensive in emerging market countries than in developed market economies. Such markets have different clearance and settlement procedures, which are less developed and reliable. Certain emerging market countries' markets use physical share delivery settlement procedures. Satisfactory custodial services may be unavailable and the client may be exposed to risk in circumstances in which the custodian and sub-custodian have limited or no liability or where recovery may be conditioned on the ability to recover in the relevant market. In such instances, a client may be required to bear the full custody risk in such countries in order to access such investments. Furthermore, a client may experience additional cost and delays in transporting and maintaining custody of securities outside such countries. In such circumstances there may be share registration and delivery delays, and settlements may lag, making it difficult to close securities transactions. Inability to dispose of a security on a timely basis due to settlement problems could result in losses to the client.

Trading volume on the stock exchanges of emerging market countries can be substantially less than in the leading stock markets of the developed world, so that accumulation and disposal of holdings may be time consuming and may need to be conducted at unfavourable prices. Volatility of prices can be greater than in the developed world.

The economies of emerging market countries can be heavily dependent on international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade and international economic developments generally.

The realization of a cash return on an investment in the client's portfolio will depend on the appreciation in value of, and income from, the securities and other investments acquired. No assurance can be given that any such appreciation will occur or that such income will be realized. In addition, no assurance can be given that the client will not suffer a loss of its capital as a result of a general reduction in the value of securities or a loss of value in a particular security or securities.

The value of a client's portfolio may be affected by substantial adverse movements in interest rates.

Dependent on the investment guidelines, a client's portfolio may be invested in illiquid and/or unquoted securities or instruments. Such investments or instruments are typically valued as to their probable realisation value. Such investments are inherently difficult to value and are the subject of substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales or close-out prices of such securities.

A client's portfolio may be invested (directly or indirectly) in the securities of small-to-medium-sized (by market capitalisation) companies. Such securities may have a more limited market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In

addition, securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports.

### **Item 9 – Disciplinary Information**

There are no applicable legal or disciplinary events relating to the Firm.

### **Item 10 – Other Financial Industry Activities and Affiliations**

#### **Affiliations**

The Firm is 49% owned by the individual partners and more information on these individuals is disclosed in the Brochure Supplement. The remaining 51% is owned by GAM. GAM is in turn owned 49% by the same group of individual partners and 51% owned, through various subsidiaries, by Affiliated Managers Group, Inc. (“AMG”).

AMG, a publicly traded asset management company (NYSE:AMG) with equity investments in boutique investment management firms, holds a majority equity interest in GAM. AMG also holds equity interests in certain other investment advisers (“AMG Affiliates”). Each of the AMG Affiliates is operated autonomously and independently, and except as described in this Brochure, the Firm does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them. Moreover, the AMG Affiliates do not formulate advice for the Firm’s clients. As such, AMG’s ownership interest in the Firm does not, in the Firm’s view, present any potential conflict of interest for the Firm with respect to our clients. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at [www.amg.com](http://www.amg.com).

GAM is party to two client service/marketing agreements with subsidiaries of AMG under which the AMG subsidiaries market the Firm’s investment services to clients and provide client services to the Firm’s clients in various jurisdictions outside of the US. GAM pays the AMG subsidiaries a fee for these services. See Item 14.

AMG holds (indirectly) equity interests in the Firm and in certain other investment advisers some of which may also be broker/dealers (the “AMG Affiliates”). As a result of AMG’s equity interest in the Firm, the AMG Affiliates may be considered “related persons” to the Firm for the purposes of this Brochure. Other than the two client service/marketing agreements noted above, the Firm does not have any business dealings with the AMG Affiliates and does not conduct any joint operations with them. The AMG Affiliates do not formulate advice for the Firm’s clients and do not, in the Firm’s view, present any potential conflict of interest with the Firm.

Certain of the Firm’s subsidiaries and affiliates (the “Genesis Group”) include entities that are investment advisers. However, with the exception of the Firm’s parent entity, GAM, these advisory entities are engaged in business exclusively outside of the United States and do not directly advise or effect securities transactions involving the assets of U.S. residents. Although, except as noted, such entities have no clients of their own in the U.S., certain of them (the “Participating Affiliates”), through their personnel, provide research, advice and financial services to the Firm for the benefit of its clients.

The Participating Affiliates of the Firm are, as follows:

Genesis Asset Managers, LLP (“GAM”) is a Delaware limited liability partnership, registered as an investment adviser with the Commission and registered with the Guernsey Financial

Services Commission. GAM is also registered with the Bermuda Monetary Authority and the Irish Financial Service Regulatory Authority and also provides services to institutional clients in other countries including Australia via a class order exemption and in Canada under the international adviser exemption.

The Firm provides investment management and advisory services to the clients of GAM pursuant to a written Investment Advisory Agreement. Such investment management and advisory services include the day to day stock selection and management of the clients' portfolios. In general, clients consent or acknowledgement the delegation of responsibilities to the Firm by GAM prior to the Firm performing such services with respect to each particular account or the provision of such delegation and services are disclosed in the relevant offering documents.

The Firm's investment management decisions are at all times subject to the policies, direction and control of GAM. The Operating Committee of GAM reviews the performance of the client portfolios on a quarterly basis and reserves the right to terminate the Firm on not less than three months' notice. For the purposes of this Brochure, GAM's clients are referred to as the Firm's clients.

Genesis Kenya Investment Management Limited ("GKIM"), a limited liability company organized in Kenya, is 50.1% owned by GAM. GKIM provides research and advice to the Firm pursuant to a written services agreement for the benefit of certain of the Firm's clients. In general, GKIM does not directly advise or effect securities transactions involving the assets of U.S. residents; however, non-US clients of GKIM include pooled vehicles which may be invested in by US residents. Investment management decisions are at all times subject to the policies, direction and control of the Firm or the Sub-Adviser.

Genesis Management Australia Limited is owned by GAM and is an Australian limited company holds a financial services license from the Australian Securities and Investments Commission.

Genesis Taihei Investments, LLC, is owned by GAM and is a Delaware limited liability company.

Certain partners of the Firm also serve in similar capacities for the Participating Affiliates. The Firm, however, is organized separately and distinctly from each of the Participating Affiliates. The Firm and Participating Affiliates follow the conduct and effects approach as articulated, from time to time, by the Commission, including, the following:

1. The Firm does not rely on any Participating Affiliate for personnel capable of providing investment advice to the Firm's clients, but rather the Firm is managed by its Operating Committee, its individual partners and its formal committees. members of which are experienced professionals capable of providing the services that the Firm is called upon to render.
2. All personnel of the Participating Affiliates who generate investment advice to be used for or on behalf of U.S. clients or have access to information concerning which securities are recommended to U.S. clients prior to dissemination of the advice, are deemed by the Firm to be "Advisory Affiliates" of the Firm. The identities and biographical histories of the investment team members and certain key officers of the Firm are disclosed in the Brochure Supplement. The Participating Affiliates themselves are also deemed by the Firm to be its Advisory Affiliates for the purposes of this Form ADV.



3. The Participating Affiliates may participate in advice given to U.S. clients. In each such instance, such advice is communicated only through the Firm which is the final decision-maker, except in the case of advice given by GAM. In general, the Firm makes day-to-day investment decisions for clients of GAM, subject to quarterly or more frequent review by GAM. With respect to its books and records, the Participating Affiliates will keep books and records of the type described in Rules 204-2(a)(1), (2), (4), (5) and (6) and 204-2(c) for all transactions. With respect to transactions involving U.S. clients and all related transactions, the Participating Affiliates also will retain records of the type described in Rule 204-2(a)(3) and (7). It also will maintain the staff trading records required by Rule 204-2(a)(12) for all of its "advisory representatives" who are involved in giving advice directly to U.S. clients. All the books and records described above will be maintained and preserved in an easily accessible place in the country where such records are kept for a period of not less than five years from the end of the fiscal year during which the last entry was made on such book or record. The records of any Participating Affiliates that are not kept in English will be translated into English upon reasonable advance request by the Commission.

A subsidiary of GAM, Genesis Taihei Investments, LLC, is the general partner of Genesis Emerging Markets, LP, a pooled investment vehicle that invests in a global portfolio of emerging market securities. The pooled vehicle was created to provide greater or more efficient access to certain emerging markets for certain US endowments, trust or charitable institutions rather than have their assets managed on a separate account basis. The general partner has maintained a small investment in the fund since inception. In this fund, the general partner has appointed the Firm as the investment manager.

### **Other Financial Activities**

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a broker/dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of one of the foregoing types of entities.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

The Firm has established a variety of restrictions, procedures and disclosures designed to address conflicts of interest arising between and among client accounts as well as between client accounts and the Firm and its personnel. All the Firm's partners and personnel must act in accordance with the fiduciary standard. In addition to the provisions of the Code of Ethics which are described in greater detail below, the Firm maintains a written Conflict of Interest Policy which identifies conflicts and potential conflicts of interest faced by the Firm and the relevant controls in place to address such conflicts. The broad areas covered are Investment, Operational, Financial Crime, Reputational and Personal. The Conflicts of Interest Policy is reviewed at least annually and approved by the Chief Compliance Officer. A current copy may be obtained by contacting:

Genesis Investment Management, LLP  
21 Knightsbridge  
London SW1X 7LY  
United Kingdom  
+44 2072 017200  
mills@giml.co.uk  
Attention: Legal Department, Conflicts of Interest Policy Request

## **Code of Ethics**

The Firm has a fiduciary duty to its clients, and accordingly has adopted a Code of Ethics (the “Code”) that applies to all partners and employees. The Code describes the standard of conduct the Firm requires of its partners and employees and sets forth restrictions on certain activities, including personal trading in accounts owned, managed or beneficially owned by the individual. The Code’s provisions also include requirements relating to areas such as gifts and business entertainment, confidentiality of information, the provision and solicitation of political and charitable contributions and outside appointments. By setting forth the regulatory and ethical standards to which the Firm’s partners and employees must adhere, the Code supports our efforts to promote a high level of professional ethical conduct in furtherance of our fiduciary duty to our clients.

## **Personal Trading**

Among other things, the Code limits and monitors the personal trading activity of our partners and employees, including members of their households. These limitations seek to further the Firm’s efforts to prevent partners and employees from personally benefiting from the Firm’s investment decisions for its clients and/or any short-term market effects of the Firm’s recommendations to clients. Specifically, the Code prohibits partners and employees and certain members of their households from purchasing or selling emerging market securities which are held in or suitable for client accounts. Limitations also exist for such persons on the participation in initial public offerings and private placements. All partners and employees must provide the Firm with a listing of their securities holdings, as well as copies of trade confirmations and details of their brokerage accounts. These restrictions and requirements of the Code apply to all accounts over which employees have investment discretion, or in which they have a direct or indirect beneficial ownership interest.

## **Participation or Interest in Client Transactions**

Certain partners and directors of the Firm may invest for their personal account in pooled vehicles managed by the Firm. We may have an incentive to favour accounts in which our partners or employees invest with respect to trading opportunities, trade allocation and allocation of investment opportunities. As such, the Firm requires that any transactions in pooled vehicles managed by the Firm must be consented to by the CCO or General Counsel (GC).

The Firm does not buy or sell, for the Firm’s accounts, securities that the Firm has recommended to our clients. The Firm also does not engage in principal trades with our clients.

As noted in Section 10 above, a subsidiary of the Firm, Genesis Taihei Investments, LLC, is the general partner of pooled fund and has maintained a small investment in this pooled vehicle since inception.

## **Insider Trading/Material Non-Public Information**

All partners and employees of the Firm are subject to the Affiliated Managers Group, Inc. Insider Trading Policy and Procedures (the “AMG Insider Trading Policy”). The AMG Insider Trading Policy broadly prohibits the use of material, non-public information, and also imposes restrictions on the trading of AMG’s stock. In addition, the Firm’s Code of Ethics also includes policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by any partner or employee of the Firm.

In accordance with these policies, any matter which may involve inside information is required to be brought to the attention of the CCO or GC prior to any trading activity. In addition, to prevent trading of public securities based on material, non-public information, the Firm maintains a “restricted list” that identifies any securities that cannot be purchased for personal or client accounts because material, non-public information may have been received by a partner or employee of the Firm. Provided such issuers are set up in the Firm’s systems, such issuers named on this restricted list are coded as “prohibited” in the Firm’s trading and portfolio compliance system, thus blocking the Firm from trading in these securities without the consent of the Firm’s CCO or GC.

The Firm investigates any suspicious activity of any security held in personal holdings account which may suggest the use of insider trading. The trading patterns of securities held in client accounts are reviewed following face to face meetings between the issuing company and members of the investment team. Monitoring also includes a review of trading patterns of stock held in client accounts which moves by more a set % on any one day. In addition, the Firm’s partners and employees certify on a quarterly basis compliance with the Code of Ethics.

### **Gifts and Business Entertainment**

The Firm’s Code of Ethics includes policies and procedures regarding giving or receiving gifts and business entertainment between the Firm’s partners, employees and certain third parties (e.g. vendors, broker/dealers, consultants, etc.) to help mitigate the potential for conflicts of interest surrounding these practices. In general, the Firm monitors the amount (i.e., value and frequency) of gifts and business entertainment that may be provided to and by partners and employees to these parties, and requires the pre-approval of certain items by our CCO or Managing Partner. The Firm specifically monitors for any potential conflicts of interest with respect to individual instances of gifts or entertainment, as well as patterns of the same over time, to prevent the interests of the Firm and its partners and employees from being placed ahead of the interests of our clients. Gifts and entertainment of any sort to certain clients, US public and foreign officials are prohibited without the prior consent of the CCO or GC.

### **Charitable Contributions**

From time to time, the Firm may donate to charitable enterprises and has identified several charities which it supports on a regular basis. In general, those donations are made in response to requests from the Firm’s partners or employees. The Managing Partner approves all charitable contributions to be made by the Firm.

Requests for charitable contributions from clients or potential clients are not permitted without the consent of the CCO or Managing Partner.

The solicitation of charitable contributions from clients or potential clients is forbidden.

### **Political Contributions**

The Firm prohibits its partners and employees from making political contributions on behalf of the Firm or to be reimbursed for personal political contributions, or from making political contributions for the purpose of securing or retaining business. All requests for political or campaign contributions from clients or potential clients are required to be declined. The solicitation of political or campaign contributions from clients or potential clients is forbidden.

## **Distribution of Code**

We are firmly committed to making our partners, employees and clients (both current and prospective) aware of the requirements within our Code of Ethics. All of our partners and employees are provided with a copy of our Code at the time of hire and annually thereafter, and each must affirm that they have received a copy of the Code, and that they have read and understand its provisions. Additionally, the GC meets with all new hires to review the various provisions of the Code of Ethics and conducts periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A current copy of the Firm's Code is available at all times to partners and staff on the intranet and also available to clients or prospective clients upon request, and may be obtained by contacting:

Genesis Investment Management, LLP  
21 Knightsbridge  
London SW1X 7LY  
United Kingdom  
+44 2072 017200  
mills@giml.co.uk  
Attention: Legal Department, Code of Ethics Request

## **Item 12 – Brokerage Practices**

Generally, the Firm is retained on a discretionary basis and is authorized to determine and direct execution of portfolio transactions within the client's specified investment objectives. Some clients request that the Firm consider using a specified list of brokers and the Firm has agreed on a best efforts basis bearing in mind the Firm's duty of best execution. Certain client accounts may prohibit execution of trades for such client account through specified broker/dealers.

The Firm has a fiduciary duty to seek best execution, and to ensure that trades are allocated fairly and equitably among clients over time.

### **Brokerage Relationships**

The Firm is not directly related to any broker/dealers but may be considered affiliated with other broker/dealers as a result of the common ownership with AMG. With respect to such broker/dealers which may be viewed as affiliated to the Firm, the Firm does not use such entities to execute trades on behalf of its clients.

The Firm uses various broker/dealers to execute trades on behalf of clients and an Approved Broker list is maintained. The Firm may also have many other relationships with such firms. For example:

- the Firm may invest client assets in securities issued by broker/dealers or their affiliates.
- the Firm may provide investment management services to affiliates or pension arrangements related to certain broker/dealers.
- Certain broker/dealers may provide both internally-generated and third-party research to the Firm, as part of a bundled service.

Notwithstanding such relationships or business dealings with these broker/dealers, the Firm has a fiduciary duty to its clients to seek best execution when trading with these firms, and has implemented policies and procedures to monitor its efforts in this regard.

## **Best Execution – Selection Factors for Broker/Dealers**

As noted above, the Firm has a duty to seek best execution of transactions for client accounts. “Best execution” is generally understood to mean the most favourable cost or net proceeds reasonably obtainable under the circumstances. In seeking best execution, the Firm looks for the best combination of transaction price, quality of execution (e.g., the speed of execution, the likelihood the trade will be executed, etc.), and other valuable services that an executing broker/dealer may provide.

Clients often grant the Firm the authority to select the broker/dealer to be used for the purchase or sale of securities. The Firm, in seeking best execution, will make this selection based on a number of factors, which may include, but are not limited to, the following: the broker/dealer’s financial soundness; the broker/dealer’s ability to effectively and efficiently execute, report, clear, and settle the order; the broker/dealer’s ability to commit capital; the broker/dealer’s ability to timely and accurately communicate with the Firm’s dealing desk and operations team; the broker/dealer’s research services provided in connection with soft dollar arrangements (explained in more detail in the “Soft Dollars” sub-section of this Item 12 below); the broker/dealer’s commission rates; and similar factors.

Recognizing the value of these factors, the Firm may select a broker/dealer that charges a commission in excess of that which another broker/dealer might have charged for effecting the same transaction. The Firm is not obligated to choose the broker/dealer offering the lowest available commission rate if, in the Firm’s reasonable judgment, the total cost or proceeds from the transaction may be less favourable than what may be obtained elsewhere or if a higher commission is justified by the service and/or research provided by another broker/dealer.

Prior to using a broker and adding such entity to the approved list, the Firm conducts a general due diligence review of the broker and will, where possible, assess the creditworthiness of the broker by establishing that it has a current, unqualified membership of an internationally recognised regulatory organisation. In addition a credit rating check will be carried out using an internationally recognised credit rating agency. If the broker is not assessed by a credit rating agency, a review of any material events related to the broker and, where applicable, a review of the broker’s share price is carried out. If the broker is not a member of an internationally recognised regulator or the results of the credit rating/material events review are considered insufficient, evidence of local stock exchange membership will be obtained and the broker’s financial statements will also be examined to assess creditworthiness. At the end of the process, the broker will either be approved for principal and agency trading, approved solely for agency trading or rejected. A broker without an S&P credit rating may be used for DVP transactions but only brokers with an investment grade (i.e. BBB- or better) S&P rating may be used for non-DVP transactions. Ongoing reviews of such brokers are made on at least a quarterly basis.

The Firm has implemented a series of internal controls and procedures to address the conflicts of interest associated with its brokerage practices. To determine that it is receiving best execution for its transactions over time, the Firm will obtain information as to the general level of commission rates being charged by the brokerage community, from time to time, and will periodically evaluate the overall reasonableness of brokerage commissions paid on client transactions by reference to such data. To the extent the Firm has been paying higher commission rates for its transactions, the Firm will determine if the quality of execution and the services provided by the broker/dealer justify these higher commissions.

In addition to the review process when a broker is added to the approved list, the Firm conducts a semi-annual review of broker/dealers to which transactions might be directed to evaluate the broker/dealers’ commission rates, execution capability, quality, value and availability of

research and other factors which the Firm considers relevant to such determination. In any event, Firm intends to seek competitive best execution rates of commissions from broker/dealers in all transactions in countries in which commission rates are negotiable. In countries in which commission rates are fixed, or in instances where the commission rates and other characteristics of two or more broker/dealers are substantially similar, the quality, value and availability of research materials received from broker/dealers may be one factor in choosing among them. Such research (for both negotiable and fixed commission rates) may include market, country, sector and company reports, interviews with and access to company officials and company visits. The Firm uses these research materials for the benefit of all client accounts.

Also on a semi-annual basis, the Firm distributes to all clients a breakdown of the commission expenses paid by such client as divided into execution and other services as reasonably determine by the Firm.

The internal procedures relating to brokerage practices are maintained in a written Best Execution policy which is reviewed at least annually.

In addition, the Firm has employed a third party, Elkins McSherry, to provide an independent review of transaction costs as well as an assessment of our transaction costs and market impact in certain countries versus a representative peer group of other emerging markets managers.

### **Directed Brokerage**

In some cases, clients have requested that the Firm use specified broker/dealers for portfolio transactions in their accounts. The Firm has agreed to do so on a best efforts basis subject to its duty of best execution and bearing in mind the specialist nature of its underlying asset class of emerging markets. Records of any trades in connection with a directed brokerage arrangement are maintained and provided to the relevant brokers and clients as required.

The Firm reserves the right to reject or limit client requests for directed brokerage.

### **Step-Outs**

Step-out trades are transactions which are placed at one broker/dealer and then “given up” or “stepped out” by that broker/dealer to another broker/dealer for credit. The Firm does not use “step-out trades”.

### **Cross Trades**

In general, cross trades are rare and restricted due to client account regulations. Crossing, where permitted, generally takes place at market prices and the CCO or GC must approve any cross trade. In considering such requests the regulatory requirements, client guideline restrictions and fairness of the trade to both parties is assessed.

### **Liquidity Rebates**

In selecting broker/dealers to execute transactions for the accounts we manage, the Firm does not consider any “liquidity rebates” that may be available to those broker/dealers. Broker/dealers may earn “liquidity rebates” (i.e., a certain cash rebate) when placing orders in certain market centers while trading on behalf of the Firm. However, the Firm chooses broker/dealers based on our policy of seeking best execution, which is determined by several quantitative and qualitative factors. It is against the Firm’s policy to take into consideration a broker/dealer’s potential to earn liquidity rebates when deciding whether to choose a particular full service broker/dealer.

## Soft Dollars

The Firm does not participate in what may be traditionally referred to as soft dollar arrangements. However, the Firm may direct transactions for execution to certain broker/dealers (full service brokers) in recognition of brokerage and research services provided by those broker/dealers and/or other third-party providers. The practice of obtaining research in this manner is referred to as using “soft dollars.” Soft dollar transactions generally cause clients to pay a commission rate higher than would be charged for execution only. The research services received through soft dollar transactions include investment advice (either directly or through publications or writings) as to the value of securities, the advisability of investing in, purchasing, or selling securities, the availability of securities or purchasers or sellers of securities, presentation of special situations and trading opportunities, corporate access (meeting with corporate executives to obtain oral reports on the performance of a particular company) and analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy, and the performance of specific strategies. To the extent that the Firm is able to obtain such products and services through the use of clients’ commission dollars, it reduces the need to produce the same research internally or through outside providers for hard dollars and thus provides an economic benefit to Firm and its clients.

As an example, the Firm has received research services relating to the provision of analysts reports on specific companies and sectors and corporate access (i.e. meetings with senior company executives and on site visits) which the Firm has found useful in its research process. The Firm may have an incentive to select a broker/dealer in order to receive such products and services whether or not the client receives best execution. However, the Firm may give trading preference to those broker/dealers that provide research products and services, either directly or indirectly, only so long as the Firm believes that the selection of a particular broker/dealer is consistent with the Firm’s duty to seek best execution.

The research products/services provided by broker/dealers through soft dollar arrangements benefit the Firm’s investment process for client accounts and may be used in formulating investment advice for any and all clients of the Firm, including accounts other than those that paid commissions to the broker/dealers on a particular transaction. Nonetheless, not all research generated by a particular client’s trade will benefit that particular client’s account. In some instances, the other accounts benefited may include accounts for which the accounts’ owners have directed their portion of brokerage commissions to go to particular broker/dealers other than those that provided the research products/services. However, research services obtained through soft dollar transactions may be used in advising all accounts, and not all such services would necessarily be used by the Firm in connection with the specific account that paid commissions to the broker/dealer providing such services.

The Firm periodically reviews the past performance of broker/dealers with whom it has been placing orders in light of the factors discussed above. Notwithstanding any research provided, the Firm may cease to do business with certain broker/dealers whose performance may not have been competitive, or we may demand that such broker/dealers improve their performance before receiving any further orders. The overall reasonableness of commissions paid is evaluated by reviewing what competing broker/dealers were willing to charge for similar types of services. The evaluation would also consider the timeliness and accuracy of the research received. Reasonableness is evaluated on an ongoing basis.

As noted previously, the Firm maintains a series of internal controls and procedures relating to its brokerage practices as set forth in its Best Execution Policy. These controls and procedures are designed to mitigate the potential conflicts of interest described in this Item.

## **Commission Sharing Arrangements**

In commission sharing arrangements, the Firm enters into agreements with broker/dealers so that certain commissions from transactions placed by the Firm at those broker/dealers are pooled by the broker/dealers, in order for the Firm to direct the compensation to one or more third-party investment research providers (which research providers may or may not be broker/dealers). Through these arrangements, research services that provide lawful and appropriate assistance to the Firm's investment decision-making process may be paid for with commissions generated by client accounts. The Firm allocates the cost of such services on a basis that it deems reasonable over time according to both qualitative and quantitative methodologies and maintains records to document this allocation process. The process is coordinated by the dealing desk in consultation with the Legal department. In general, such research services benefit the Firm's investment process for any and all clients of the Firm. The payments made under commission sharing agreements are monitored internally through the compliance monitoring programme.

## **Trade Aggregation**

When two or more portfolios are simultaneously engaged in the purchase or sale of the same security, the Firm may, but is not obligated to, combine and aggregate the transactions to form a "bunched trade" or "block trade." In such cases, these accounts will receive the average price of the transactions in that security for the day. Trades in the same security for different accounts will be accumulated for a reasonable period of time to allow for aggregation, unless a particular account's interest would be unduly prejudiced. The Firm may, but is not required to, aggregate orders into block trades where the Firm believes this is to be appropriate, in the best interests of the client accounts, and consistent with applicable legal requirements. Transactions executed in a block will typically be allocated to the participating client accounts before the close of the business day.

Since more than one account's orders are included in a block trade, the Firm has adopted a policy of using a "pro rata allocation" to allocate the trade among each account whose order makes up part of the block. Under a pro rata allocation, as securities are being purchased or sold as part of the block trade, the securities are being allocated to (or away from, in the case of a sale) accounts in the proportion by which each account's order size (as determined by the portfolio manager at the time of order entry) makes up a percentage of the entire block. In cases where the Firm is unable to fulfill a block trade the same day (i.e., purchase or sell all securities within the block trade), those securities that have been purchased or sold by the end of the day will generally be allocated pursuant to the Firm's pro rata allocation methodology.

All allocation objectives and implementation procedures are designed to ensure that all clients receive equitable treatment, ensuring as far as possible that all portfolios with the same mandate look alike. Partial fills are allocated pro rata, to the value of orders placed unless resultant allocation is so small to make settlement uneconomic. Separate and pooled accounts are treated alike under this allocation process.

On a quarterly basis, our compliance personnel monitor the proportional amounts allocated to all portfolios to determine whether such allocations are fair and equitable over time.

## **Initial Public Offerings ("IPOs")**

An initial public offering is a company's first offer of stock for sale to the public. Depending on the interest in this initial offering, the Firm's access to these newly offered shares may be limited in amount at the time of the initial offering.



In the event that the Firm participates in any initial public offerings and other securities with limited availability (collectively, “IPOs”), the Firm allocates IPOs among accounts as it would for any other security that is, on a pro rata basis and taking into consideration factors such as client eligibility, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs.

Allocation is imposed through our automated order management system.

Allocation of IPOs and other limited offerings across client accounts is monitored periodically as part of the internal monitoring process to ensure that all accounts are treated fairly and equitably over time.

### **Introducing Brokers**

The Firm does not use introducing brokers.

### **Prime Brokers**

The Firm does not use prime brokers.

### **Trade Errors and Trade Error Accounts**

If a trade error were to occur, it is the Firm’s policy to make the client account whole. Also if a client account were to benefit from a trade error, any profits would remain with the account (unless the client instructed otherwise). Any material breach of an investment restriction would be notified to the client.

Internally such a material matter is required to be reported immediately to the CCO who in turn would inform the wider group of partners. Where possible, procedures are put in place to ensure that such an incident does not recur.

### **Item 13 – Review of Accounts**

As noted in Item 10, pursuant to a written Investment Advisory Agreement, GAM has delegated to the Firm certain investment management functions including the provision of research and day to day stock selection on behalf of GAM’s clients who have consented to the delegation. GAM has also delegated certain administrative functions to the Firm, including portfolio reviews, trade processing, production and distribution of client reports and portfolio valuations, pursuant to a written Administration Agreement. Investment management and administrative functions are centralized in the London offices of the Firm and at all times subject to the oversight and management of GAM. The description of the Firm’s activities herein include the activities performed for the Firm’s one direct client and also for those activities delegated to the Firm by GAM for GAM’s clients.

With respect to investment management decisions, all the Firm’s accounts are coordinated and monitored by a Portfolio Coordination Team (PCT) of investment team members of the Firm on a continual basis. The Firm has a relatively small number of large accounts, which permits each such account to be reviewed by the PCT on a regular basis.

In addition, the investment team hold the following meetings to discuss research ideas:

<b>Frequency</b>	<b>Purpose</b>	<b>Attendees</b>
<b>Every Monday:</b>	General meeting to discuss research and investment decisions, particularly ideas resulting from company and country visits	All London-based investment professionals or via conference call if appropriate
<b>Weekly:</b>	Decide on and monitor stock weights and risk issues. Review significant stock price movements	PCT for Global EM portfolios
<b>Monthly:</b>	General business meeting as well as investment ideas discussion	Partners
<b>Quarterly:</b>	Investment Week during which each stock – as well as major omissions – are reviewed; also includes reviews on particular sectors	All investment team members (in person)
<b>Semi-Annually:</b>	Investment ‘away days’	Investment team

With respect to compliance, responsibility rests with CCO. The Firm’s day to day compliance functions are divided between two departments:

- The Legal and Regulatory Department has responsibility for compliance with internal, regulatory and client investment guidelines/restrictions.
- The Compliance and Assurance Department is responsible for internal monitoring and audit.

Monitoring of clients’ investment guideline compliance is, as far as possible, automated using the compliance module of the Firm’s process system. Client-specified restrictions and guidelines are set up and maintained by the Legal department. When a new transaction order is created on the system, pre-trade compliance checks are run automatically. Any order which creates a new ‘breach’ (or increases an existing breach) will be referred to the Legal department. Post-trade compliance limits are run automatically overnight and the Legal department reviews and investigates these results daily.

In addition to the pre and post trade automated review, regular guideline reviews of client accounts are also conducted on at least a quarterly basis by the Compliance department as part of their internal monitoring function. Furthermore, the Investment Analytics team will also compare on a monthly basis individual client accounts against other accounts invested in a similar manner to assess the consistency of holdings and performance, and to reconcile any outliers or other exceptions that are found.

With respect to reconciliations, the Firm also reconciles its records of the securities and cash within its clients’ accounts against the records of the custodians who actually hold the securities and cash. These reconciliations are performed by Firm’s Investment Analytics and Accounting team which is distinct from the trading and settlement teams. The Firm uses an automated reconciliation system called I-RECs to perform a daily reconciliation of cash with the records of the custodians and a monthly reconciliation of holdings, accruals, open trades and income. Exceptions are investigated and resolved with the custodians on a timely basis. The statements and records of the custodian are the official books and records for the client account.

## **Reporting**

With respect to client reporting, under the terms of the Administration Agreement and on behalf of the Firm, the Sub-Advisor delivers to each of the Firm's clients a periodic report typically including:

- Listing of individual holdings, including number of shares and current market value;
- Quarterly, year-to-date, and/or since-fund's inception time-weighted rates of return;
- Historical statement of changes describing clients' original capital and additions of capital;
- Purchase and sale transactions occurring during the period; and
- Market commentary.

Such reports are generally delivered on a monthly basis or quarterly if so requested by the clients. Upon request by a client, valuations and other reports may be available on a more frequent basis.

In addition, clients also receive quarterly reports on a performance attribution and semi-annually reports on proxy voting and brokerage commissions.

Clients generally receive monthly account reports from independent qualified custodians. These reports typically include:

- Listing of individual holdings, including number of shares and current market value;
- Quarterly, year-to-date, and/or since-inception time-weighted rates of return;
- Historical statement of changes describing clients' original capital and additions of capital; and,
- Purchase and sale transactions occurring during the period.

The reports for segregated client portfolios may be customized to meet each client's individual needs. The reporting packages for pooled vehicles are standardized to the extent possible but additional confirmations or reports may be agreed by the Firm with an investor in such fund.

As noted, the custodian statements reflect the official books and records for the client accounts managed by the Firm.

## **Item 14 – Client Referrals and other Compensation**

### **Relationships with Consultants**

Many of our clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers. The Firm may have certain accounts that were introduced to the Firm through consultants. These consultants or their affiliates may, in the ordinary course of their investment consulting business, recommend the Firm's investment advisory services, or otherwise place the Firm into searches or other selection processes for a particular client.

The Firm has extensive dealings with investment consultants, both in the consultants' role as adviser for their clients and through independent business relationships. Specifically, we provide consultants with information on portfolios we manage for our mutual clients, pursuant to our clients' directions. The Firm also provides information on our investment styles to consultants, who use that information in connection with searches they conduct for their clients.

The Firm may also respond to “Requests for Proposals” from prospective clients in connection with those searches.

Clients obtained from these consultants may instruct the Firm to direct some or all of their brokerage transactions to these consultants, which may also be a broker/dealer, or to the particular broker/dealers with whom they have relationships. See Item 12.

Other interactions that the Firm may have with consultants include, but are not limited to, the following:

- the Firm may, from time to time, purchase software applications, access to databases, and other products or services from some consultants.
- the Firm may pay registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences. These conferences or forums provide the Firm with the opportunity to discuss a broad variety of business topics with consultants, clients, and prospective clients.
- In some cases, the Firm may serve as investment adviser for the proprietary accounts of consultants or their affiliates, or as adviser or sub-adviser for funds offered by consultants and/or their affiliates.

In general, the Firm relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with the Firm.

### **Consulting Databases**

The Firm does not at the current time but may at a point in the future pay consultants or other third parties to include information about the Firm’s investment approaches in databases that they maintain to describe the services provided by investment managers to prospective clients.

### **Relationships with Solicitors**

#### ***Region of the Middle East***

GAM has entered into an agreement (the “AMG Agreement”) with Affiliated Managers Group Limited (“AMG Limited”), a subsidiary of AMG and a related person of the Firm, pursuant to which AMG Limited acts as GAM’s marketing and client services agent to institutional clients in the Middle East. GAM pays AMG Limited a fee for these services which is based on its pro rata share of the variable expenses incurred by AMG Limited in the Middle East (including travel, entertainment, incentive compensation, systems expenses) as shall be agreed between GAM and AMG Limited on an annual basis in connection with AMG Agreement. The determination of whether to accept a particular prospective client will remain at all times in the sole discretion of the GAM.

#### ***Region of Australia***

GAM has entered into an agreement (the “AMG Australia Agreement”) with Affiliated Managers Group Pty Ltd (“AMG Australia Limited”), a subsidiary of AMG and a related person of the Firm, pursuant to which AMG Australia Limited acts as GAM’s marketing and client services agent to institutional clients in Australia and New Zealand. GAM pays AMG Limited a fee for these services which is based on its pro rata share of the variable expenses incurred by AMG Australia Limited in Australia and New Zealand (including travel, entertainment, incentive compensation, systems expenses) as shall be agreed between GAM and AMG Australia Limited on an annual basis in connection with AMG Australia Agreement.

The determination of whether to accept a particular prospective client will remain at all times in the sole discretion of GAM.

Other than as described above, the Firm has no other agreements with third party solicitors pursuant to which the Firm pays a fee to these parties in connection with their solicitation of clients and other services.

In connection with the management of the one non-US client account for which the Firm is appointed directly as the investment manager, the Firm pays one-quarter of the management fees it receives to the third party promoter of such pooled fund client. Such pooled fund is neither marketed to nor available for investment by US persons.

### **Compensation from Third Parties**

The Firm does not receive any monetary compensation or any other economic benefit from a non-client for the Firm's provision of investment advisory services to a client.

### **Item 15 – Custody**

The Firm does not act as a custodian over the assets in the accounts we manage for our clients (except as may be deemed a "custodian" by applicable law, as discussed below). Clients must make their own arrangements for custody of securities in their accounts. Such custodians may be banks, trust companies, or other qualified institutions. The qualified custodian will typically provide the client with at least quarterly account statements relating to the assets held within the account managed by the Firm. Each client should carefully review the qualified custodian's statement upon receipt to determine that it completely and accurately states all holdings in the client's account and all account activity over the relevant period. Any discrepancies identified by a client should be immediately reported to the Firm and the qualified custodian.

In addition to the account statements provided by qualified custodians to our clients, the Firm also provides account statements to clients on a monthly basis. As such, we encourage clients to compare the statements provided to them by the Firm against those provided to them by the qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both the Firm and the qualified custodian promptly. Such questions, concerns, or discrepancies may be communicated to the Firm by writing, e-mailing, or telephoning us using the following contact information:

Genesis Investment Management, LLP  
21 Knightsbridge  
London SW1X 7LY  
United Kingdom  
+44 2072 017200  
mills@giml.co.uk  
Attention: Client Service, Report Query

The Firm's statements may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. However, please note that custodian statements reflect the official books and records for the accounts we manage.

An affiliate of the Firm may be deemed, under the federal securities laws, to have custody of client assets by virtue of the fact it is the general partner of the limited partnership listed in Item 7. This general partner and the Firm are both owned by GAM. However, none of the general partner, the Firm or GAM has actual physical custody of any client assets or securities invested

in such fund; rather, all such assets are held in the name of the applicable fund by an independent qualified custodian. Such fund is audited annually, and investors receive annual financial statements, as required by applicable law.

#### **Item 16 – Investment Discretion**

The Firm is typically granted discretionary authority by a client at the outset of an advisory relationship to determine the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives/guidelines for the particular client account. When selecting securities and determining amounts of securities for purchase or sale, the Firm observes the investment policies, limitations, and restrictions that are applicable to our clients' accounts, as set forth by our clients. Any investment guidelines and restrictions, including amendments, must be provided to the Firm by the clients in writing. A separately managed client account will grant the Firm discretionary authority by executing an investment management agreement, which includes, among other items, a statement giving the Firm full authority to invest the assets identified by the client in manner consistent with the investment objectives and limitations delineated by the client, and to engage in transactions on a discretionary basis in the client account. For pooled vehicles, the appointment of the Firm as investment manager, the scope of the authority and investment objectives and limitations are outlined in the relevant offering document.

Clients are likely to restrict the areas in which their assets may be invested to exclude certain countries, regions, stock exchanges or types of securities. Additionally, clients generally place restrictions as to the proportions of managed funds which may be invested in individual securities, issuers or in particular countries, regions or sectors. As a general matter, all client portfolios are restricted from short selling securities or using leverage as an investment tool.

#### **Class Action Suits and Other Legal Actions**

As a general matter, the Firm provides instructions to custodians regarding tender offers and rights offerings for securities in client accounts.

In general and due to the fact that class actions are not common in emerging markets, the Firm is not obligated to, and typically does not take any legal action with regard to class action suits relating to securities purchased by the Firm for its clients. Furthermore, the Firm does not provide legal advice to clients and, accordingly, does not determine whether a client should join, opt out of or otherwise submit a claim with respect to any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the client. The Firm generally does not have authority to submit claims or elections on behalf of clients in legal proceedings. Should a client, however, wish to retain legal counsel and/or take action regarding any class action suit proceeding, the Firm will provide the client or the client's legal counsel with information that may be needed upon the client's reasonable request. For pooled accounts, advice and/or instruction is expected to be obtained from the governing board/entity of the fund.

#### **Item 17 – Voting Client Securities**

Since client accounts may hold stocks or other securities with voting rights, our clients often have the right to cast votes at the corporate issuers' shareholder meetings. However, since shareholders often do not attend shareholder meetings, they have the right to cast their votes by "proxy." In such cases, the Firm's clients will either retain proxy voting authority or delegate it

to the Firm. If a client has delegated such authority to the Firm (whether in the client's investment management agreement with the Firm or otherwise), the Firm will vote proxies for that client.

Where clients have delegated proxy voting authority to the Firm, as an investment adviser and fiduciary of client assets, the Firm has implemented proxy voting policies and procedures intended to protect the value of shareholder investments and designed to reasonably ensure that the Firm votes proxies in the best interest of clients. In voting proxies, we seek to both maximize the long-term value of our clients' assets and to cast votes that we believe to be fair and in the best interest of the affected client(s).

Where clients have not delegated proxy voting authority to the Firm, such clients may on occasion seek information or advice from the Firm as to how the Firm views the relevant issues. On certain occasion, the Firm may contact clients those clients for which it does not proxy voting authority and advise such clients of how it intends to vote for other client accounts.

### **Voting Agent**

The Firm has contracted with an independent third-party provider of proxy voting and corporate governance services ("proxy agent") which specializes in providing a variety of services related to proxy voting. Specifically, this proxy agent has been retained to provide proxy research, execute proxy votes as instructed by the Firm, and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for the appropriate client account.

### **Conflicts of Interest**

If a material conflict should arise between the Firm's interests and those of the clients, it is the Firm's policy is to advise the client of such conflict and obtain their consent or instruction as to how to vote.

If you would like a copy of the Firm's Proxy Voting Policy, if you would like to review how the Firm voted on a particular security in your account, or if you would like further information on the proxy agent's proxy voting policy guidelines, please contact:

Genesis Investment Management, LLP  
21 Knightsbridge  
London SW1X 7LY  
United Kingdom  
+44 2072 017200  
mills@giml.co.uk  
Attention: Legal Department, Proxy Voting Policy Request

### **Item 18 – Financial Information**

The Firm has no financial condition that impairs our ability to meet our contractual and fiduciary commitments to our clients, and the Firm has not been the subject of a bankruptcy proceeding.