

**Form ADV: Part 2A**  
**Investment Adviser Brochure**  
**SEC File Number 801-21953**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Vontobel Asset Management, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. Please contact Joseph Mastoloni, Chief Compliance Officer, at 212-415-7051 or [joseph.mastoloni@vusa.com](mailto:joseph.mastoloni@vusa.com) if you have any questions about the contents of this Brochure. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration under the Investment Advisers Act as an investment adviser does not imply any level of skill or training.

Additional information about Vontobel Asset Management, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Summary of Material Changes**

In keeping with SEC requirements, this section of the Brochure (Item 2.) summarizes the material changes that have been made to the Brochure since it was posted in March 2011 to the SEC's public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). For more details about the changes, please see the Item number references.

### **Chartered Sub-Committees (See Item 8)**

In an effort to gain efficiencies, the Investment Review Committee (IRC), the chartered committee ultimately responsible for the review and oversight of all investment-related and risk-management activities at Vontobel, has recently delegated a number of its responsibilities to 3 new sub-committees. With capabilities commensurate with their responsibilities, the Sub-committees make reports to the IRC on a quarterly basis and as needed. The Sub-committees and their respective areas of responsibility are as follows:

1. Investment Policy Committee (IPC) – Drivers of the firm's investment products and their performance.
2. Trade Management Oversight Committee (TMOC) – Business processes relating to the firm's trading activity.
3. Risk Committee (RC) – Risks considered to be outside the Portfolio Manager's realm of responsibilities.

### **Political Contributions Policy (See Item 11)**

Pursuant to Rule 206(4)-5 under the Investment Advisers Act of 1940, we established a political contributions policy in March 2011. Designed to prevent the making of political contributions to candidates who may be in a position later to steer government pension plan business to the employee-contributor's firm, the Policy requires, among other things, the pre-clearance of all political contributions by Vontobel employees and the monitoring of any involvement with political action committees.

### **Client Commission Arrangement / Commission Sharing Arrangement (See Item 12)**

We obtain a substantial portion of our soft dollar benefits through a client commission arrangement ("CCA"). In a CCA, we arrange with executing brokers to allocate a portion of the total trade commission to a pool of credits that can be used to obtain third-party research services, subject to best execution. These credits are maintained for us by Westminster Research Associates ("WRA"), one of the largest and most respected providers of commission management services.

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## **Item 4. Advisory Business**

### The Company

We are a global investment management firm dedicated exclusively to managing long-only global equity portfolios (long-only equities are equities that are expected to increase in value over time). We are registered and based in New York and have provided global asset management services to investors since 1984. We are a wholly-owned subsidiary of Vontobel Holding AG, a Swiss bank holding company in Zurich, Switzerland. We are also a sister company of Bank Vontobel AG, one of Switzerland's foremost private banks for over 80 years.

### Advisory Service Type

We offer fundamental analysis-based investment advisory or sub-advisory services to a broad array of institutional clients. Our client base includes a distinguished list of corporations, public and private pension plans, and foundations and endowments. We specialize in the management of equity portfolios offered in the form of six long-only equity investment strategies. Please read Item 8 for more information on our investment strategies.

### Investment Guidelines

Subject to the client-driven restrictions described in the next paragraphs, we construct substantially identical portfolios for all of our clients. We strive to invest all of our clients' assets in a similar manner so as to ensure that all portfolios benefit from the best investment ideas of the firm and to limit the dispersion of returns among client portfolios.

Within the bounds of a given investment strategy or strategies, a client may customize its investments through the use of investment guidelines, restrictions, and limitations ("guidelines"). These client-driven guidelines are drafted during the course of contract negotiations and become an indispensable part of the final investment management agreement between us and our clients ("Investment Management Agreement").

In its guidelines, a client may, at its sole discretion, impose restrictions on the investment of its assets both with respect to certain types of securities, as well as individual securities. We also accept client guidelines that restrict us from investing in certain countries or sectors. Clients may also impose restrictions in other areas, such as considerations of social responsibility, or the use of foreign currency hedging designed to cushion the impact of increases in base currencies.

### Assets Under Management

As of February 29, 2012, we had approximately \$ 23.77 billion in assets under management. Of this amount, approximately \$ 23.75 billion was managed on a discretionary basis, with approximately \$12.51 million managed on a non-discretionary basis.

## Item 5. Fees and Compensation

We are compensated for rendering advisory services to clients in a variety of ways, including the following:

### Asset-Based Fee

We typically charge a fee based on a percentage of a client's assets under management. Asset-based fees are calculated based on a percentage of the market value of the investment portfolio under management at the end of the preceding month (or months in the case of quarterly payments). In the absence of market values, the basis for calculation is fair value or daily NAV.

### Performance-Based Fee

In limited circumstances, and in accordance with Rule 205-3 under the Advisers Act, we may enter into an Investment Management Agreement where we will charge a client fees based on the investment performance achieved in the client's account. Our typical performance-based fee arrangement has two components: (1) a fee based on a percentage of the market value of the investment portfolio under management; and (2) a quarterly performance fee based on returns in excess of a benchmark selected by us and the client. Please see Item 8 for more information on performance-based fees.

### Investment Strategy Advisory Fee Schedule

#### International Equity Management

0.75% on the first \$100 million

0.65% over \$100 million

Minimum initial investment is \$100 million

#### Emerging Markets Equity Management

0.95% on the first \$100 million

0.85% over \$100 million

Minimum initial investment is \$100 million

#### Far East Equity Ex-Japan Management

0.95% on the first \$100 million

0.85% over \$100 million

Minimum initial investment is \$100 million

#### Global Equity Management

0.75% on the first \$100 million

0.65% over \$100 million

Minimum initial investment is \$100 million

#### U.S. Value Equity Management

0.75% on the first \$100 million

0.65% over \$100 million

Minimum initial investment is \$100 million

#### European Equity Management

0.75% on the first \$100 million

0.65% over \$100 million

Minimum initial investment is \$100 million

While it is our general policy to charge the standard fees reflected above, fees may vary due to the particular circumstances of the client or as otherwise negotiated with particular clients. For example, certain clients may be charged fees at rates lower than those indicated above due to the particular circumstances of the client, such as the existence of other accounts with us. We also provide model portfolios in structured

money management programs, but do not exercise investment discretion or trade the account. Our fees in arrangements where we provide only a model portfolio are generally lower than our fees for providing full discretionary advisory services to clients. For certain registered pooled vehicles to which we serve as an investment adviser or sub-adviser, our fees are disclosed in the relevant offering documents.

We also serve as the investment manager for 2 private investment funds: the Vontobel Global Emerging Markets Fund and, the Vontobel International Equity Fund (the “commingled funds”). The commingled funds are a series of the Vontobel Investment Trust, a Delaware statutory trust. The commingled funds are limited to a finite number of “accredited investors” as that term is used in Regulation D of the Securities Act of 1933. The presentation of information in this Brochure relating to the commingled funds is not intended as an offer or solicitation to invest. Our fees for managing the commingled funds are disclosed in the relevant offering documents.

Fees are payable quarterly or monthly in arrears. Fees for separate accounts are billed quarterly in arrears and fees for the commingled funds are billed monthly in arrears. The quarterly fee must be paid within 45 days of the last day of the quarter for which the fee is applicable. The investment management fees for the commingled funds are deducted monthly from client assets. These clients do not have the option of being billed directly.

Clients also have the option of paying investment management fees in advance. Any pre-paid fees that have not been earned at the termination of a contract with a client will be refunded. This policy is designed to avoid placing a client in the position of deciding between forfeiting the unused portion of its fee or continuing to receive portfolio management services that are no longer desired. The amount of the refund will be calculated pro rata by us and will reflect a deduction of reasonable costs incurred in managing the client’s portfolio.

#### Other Fees and Expenses

In addition to the investment management fee we are paid, clients are required to pay other fees and expenses such as custodial fees, brokerage commissions, transaction costs, and foreign withholding taxes on foreign securities. For more information on fees charged by the custodian of your account, including any charges relating to foreign exchange transactions or how your custodian executes foreign exchange transactions for your account, you should contact your custodian or refer to any agreement you’ve entered into with your custodian. For more information on brokerage commissions, please see Item 12 of this Brochure.

With respect to the commingled funds, an all-in-one fee is charged. This fee consists of investment management fees, custodial fees, administrative fees, audit fees, tax fees and legal fees. Investors in the commingled funds are required to pay other fees and expenses, such as interest expenses, brokerage commissions, transaction costs and taxes on securities held in the funds’ investment portfolio.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

We manage performance-based fee accounts side-by-side with asset-based fee accounts. Because of the additional economic incentives tied to accounts with performance-based fees, an investment adviser may have a conflict of interest when managing such accounts alongside accounts that do not include performance-based fees. In this regard, an investment adviser may have an incentive to allocate favorable trades to, or otherwise favor, the accounts with higher fees. To eliminate this potential conflict of interest, we have implemented policies and procedures to govern, among other things, how trades are allocated across accounts. These policies require that all accounts in the same strategy generally be managed the same way. In furtherance of these policies, we generally require that all accounts within a strategy hold the same securities, that trades for all accounts within a strategy are allocated equally, and that such accounts trade at the same time. On a quarterly basis, our Trade Management Oversight Committee (TMOC), a chartered sub-committee of the firm's Investment Review Committee, will review accounts and sample the allocation of trades to ensure that such procedures are followed. Our Portfolio Compliance Officer also reviews trade allocations on a more frequent basis. These policies and procedures, as well as others we've implemented, are designed to promote a fair and equitable allocation of investment opportunities across all of the accounts that we manage. For more information on our trading policies and procedures, please see Item 12. For more information on how we review accounts, please see Item 13.

## **Item 7. Types of Clients**

We currently provide investment advice to institutional clients, such as corporations, partnerships, foundations, associations, statutory trusts, pension or profit-sharing plans, registered open-end investment companies, foreign-registered open-end investment companies, private investment trusts, other pooled investment vehicles, state or municipal government entities, and foreign government entities. For more information on our current advisory relationships, please see Items 5 and 10.

### **Account-Opening Requirements**

The minimum investment for each client account, other than a client account in the commingled funds, is \$100 million. The minimum account size for each commingled fund is \$5 million. On occasion, after consideration of any special circumstances, we may waive the minimum account size requirements. Clients are required to provide, among other things, current identification documentation when opening an account. We also require that clients in a commingled fund undergo additional and ongoing identification procedures for anti-money laundering purposes.



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

### Our Philosophy: “High Quality Growth at Sensible Prices”

Our investment philosophy is based on the conviction that long-term, stable and superior earnings growth drives long-term investment returns and risk-adjusted out-performance. By identifying sensibly priced high-quality companies that can grow earnings faster than the market on a sustainable basis, we believe we will be able to achieve superior returns for our clients. Also central to our philosophy is the belief that compounding wealth requires preserving capital in down markets. We are benchmark agnostic. We consider the benchmark index to be a poor representation of the high-quality investment opportunities available and do believe that fund managers should be allowed to avoid portfolio anomalies arising from benchmark-dictated constraints.

### Our Investment Process

We employ a disciplined investment process that is predicated on long-term investment objectives. We believe that the best way to achieve capital appreciation and outperform the market over the long-term is by investing – at attractive prices – in well-managed businesses with consistent operating histories, solid financial performances, favorable long-term economic prospects and, in most cases, free cash flow. We employ a five-step investment process that relies on bottom-up analyses to help us to identify high-quality companies, as described below.

Our investment process begins with idea generation refined by quantitative screening. We gauge companies’ future earnings and cash flows, analyze their strengths and weaknesses, and assess industry dynamics. Our qualitative analysis starts with step two. In steps two and three of our investment process, we analyze both past business economics and potential future opportunities. We put great emphasis on understanding underlying business features as well as the relevant accounting issues. In addition, during the third step, an in-depth evaluation of the certainty of the long-term economic characteristics of each individual business and the quality of its management in terms of their ability to realize the full potential of the business is conducted. Step four of our investment process focuses on price/valuation. To be admitted to our portfolio, the market price of each company should have a significant discount to future earnings, cash flow and/or net asset value. Step five is portfolio construction. During this step, we seek to add alpha – a measure of an investment’s performance over and above the performance of investments of the same risk – through bottom-up stock selection. Our guidelines ensure that stock selection drives performance while providing adequate diversification. Generally, no single holding accounts for more than 5% of the portfolio at cost. Portfolios typically hold 50-90 issues. Cash is a residual of the investment process, typically less than 5% of the assets.

### Sell Discipline

Our investment team monitors the tenets of our buy discipline – consistency, predictability, profitability, sustainability and sensible price. Generally, we will remain invested in a business unless: the market price

of a business exceeds our estimate of fair price; the business is involved in a major acquisition; its earnings growth, profitability and predictability deteriorate; or, it is replaced by a better investment.

### Risk Control

Our investment approach is designed to mitigate risk and avoid permanent loss of capital. We are wary of investment concepts that equate risk with beta and other volatility-related statistics. These numbers are calculated from price movements in the past, while we think risk involves future uncertainty. We believe that the majority of a holding's risk is business risk as opposed to market risk. Therefore, we seek to control business risk by concentrating our portfolio holdings on high-quality businesses that are characterized by operational stability, predictability and sustainability at sensible prices. We further control risk by adhering to portfolio construction guidelines that provide adequate diversification.

### Chartered Oversight Committees

In an effort to gain efficiencies, the Investment Review Committee (IRC), the chartered committee ultimately responsible for the review and oversight of all investment-related and risk-management activities at Vontobel, has devolved a number of its responsibilities to 3 new formal Sub-committees. With capabilities commensurate with their responsibilities, the Sub-committees make reports to the IRC on a quarterly basis and as needed. The Sub-committees and their respective areas of responsibility are as follows:

1. Investment Policy Committee (IPC) – Drivers of the firm's investment products and their performance.

The primary purpose of the IPC is to oversee and guide the process by which the Firm monitors, evaluates and communicates an investment strategy's performance. In addition, the IPC monitors the management of each portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time.

It is within the scope of the Committee's responsibilities to address the following subjects:

- Investment performance of each account based on a comparison of actual returns with benchmarks. The evaluation will take into account compliance with investment policies and guidelines and risk levels.
- Appropriate benchmarks and peer groups for comparison purposes
- Review of client base, portfolio guidelines and proxy voting
- Unusual and exceptional investment matters

2. Trade Management Oversight Committee (TMOC) – Business processes relating to the firm's trading activity.

The TMOC has responsibility for evaluating the Firm's trade management policies and procedures, and when and where appropriate, for making recommendations to improve the firm's trading practices.

The Committee's responsibilities are framed by regulatory requirements and the Firm's fiduciary duty to act always in the best interest of its clients.

It is within the scope of the Committee's responsibilities to address the following subjects:

- Best Execution
- Trade and Order Management
- Liquidity and Cash Management
- Broker Relationships and Commissions
- Trading Infrastructure & Systems (incl. OMS, EMS and Direct Market Access)

3. Risk Committee (RC) – Risks considered to be outside the Portfolio Manager's realm of responsibilities.

The Risk Committee (the "RC") has responsibility for monitoring Firm's Risk Management Practices and Risk Exposure. The Committee will formulate recommendations to mitigate risks that exceed acceptable levels where appropriate.

It will be within the scope of the Committee's responsibilities to address the following subjects:

- Operational Risk
- Credit Risk
- Liquidity Risk
- Hedging Activity and Use of Derivatives
- Insurance Coverage
- Sovereign Risk: Including FX Convertibility, Cash Repatriation, Local Settlement Risks

### Risks of Investing in Equities

We generally invest in common and preferred stock and other equity securities. Equity securities generally will be subordinate to the debt securities and other indebtedness of the issuers. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions, general stock market fluctuations, and changes in market confidence and perceptions of their issuers. Investor perceptions are based on various and often unpredictable factors, including government policies, economic variability, and political crises. As part of our investment strategy, we may invest in companies with small- or mid-sized market capitalizations or in thinly traded and other long-term securities. Thinly traded securities carry the risk that a buyer may not be found for such securities. In addition, the lack of an established, liquid secondary market for many of these investments may have an adverse effect on the market value of the investments and on the ability to dispose of them. No assurance can be given that we can dispose of such an investment at

the previously prevailing market price. In addition, certain investments may have to be held for a substantial period of time before they can be sold. Some of our portfolios may be invested in a limited number of issuers. This means that the strategy's performance may be substantially impacted by the change in value of even a single holding.

### Derivatives

Several of our investment strategies may permit the purchase and sale of derivative instruments. Derivative instruments may subject investors to the risk that the issuer of the instrument – generally a well known large financial institution – is unable to perform under the terms of the instrument, also known as counterparty risk. We monitor counterparty risk by reviewing the fundamental credit quality, financial profile and market perception of our derivative counterparties on a periodic basis. Our Investment Review Committee has established, and our Risk Committee monitors, guidelines for counterparty exposure. Such exposure is not to exceed 1% of the counterparty's capital base.

Participatory notes are a type of derivative instrument that we commonly invest in. A Participatory note is an instrument that derives its value from an underlying financial instrument such as an equity share. These notes are used to gain exposure to underlying equity securities in foreign markets where direct investments are restricted. In other words, we use participatory notes to gain access to markets where it is difficult to acquire local registration for the purchase and sale of local securities. While the holder of a participatory note is entitled to receive from the bank or broker-dealer issuer of the note any dividends or other distributions paid on the underlying securities, the holder is not entitled to the same rights as an owner of the underlying securities, such as voting rights. The exposure limit to participatory notes, as well as other derivative instruments, is detailed in each client's Investment Management Agreement or investment guidelines. As discussed above, participatory notes are derivative instruments that involve counterparty risk, which we monitor on a continuous basis. We will also work together with clients to obtain local registrations in markets so as to avoid the requirement of accepting counterparty credit exposure if we determine that doing so is in the client's best interest.

Specific risks associated with investing in any of our strategies are set forth below.

### Our Investment Strategies

We offer the following six long-only equity investment strategies:

#### 1. The International Equities Investment Strategy

The strategy invests in a portfolio of common stocks and other equity securities of companies that are located outside of the United States. To a limited degree, the strategy may also invest in companies based in the United States. The strategy typically invests in the securities of medium-to-large size companies, but will also invest in smaller companies. The strategy's holdings may be limited to the securities of 40 to 60 different issuers and may focus its investments in companies located in or tied economically to particular countries or regions. The strategy generally invests in securities that are traded in foreign securities markets, though it may invest significantly in

emerging or developing markets. The strategy may also invest in derivatives such as Participatory notes.

## 2. The Emerging Markets Equities Investment Strategy

This strategy invests in a diversified portfolio consisting primarily of equity securities. Equity securities consist of common stocks and securities convertible into common stocks, such as warrants, rights, convertible bonds, debentures or convertible preferred stock. The strategy may also invest in derivatives such as Participatory notes. Under normal market conditions, the strategy will invest at least 75% of its assets in equity securities issued by companies that are in “developing countries” or “emerging markets,” as listed in the Morgan Stanley Capital International Emerging Markets Free Index (the “MSCI EME Free Index”). Examples of these countries or markets include: Argentina, Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Hong Kong, Hungary, India, Indonesia, Israel, Jordan, Malaysia, Mexico, Morocco, Pakistan, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, and Venezuela.

## 3. The Global Equities Investment Strategy

This investment strategy seeks to provide investors with exposure to high-quality global companies. These companies are characterized by consistent operating histories, solid financial performances, favorable long-term economic prospects, and, in most cases, free cash flow. Under normal circumstances, the strategy invests in equity securities or equity-linked instruments of issuers located throughout the world, including issuers in emerging markets countries. The strategy intends to diversify its investments among countries and normally to have the business activities of a number of different countries represented in the portfolio. The strategy may also invest in derivatives such as Participatory notes.

## 4. The European Equities Investment Strategy

This investment strategy offers investors exposure to European market economies through what we consider to be well-established companies. The securities sought for inclusion are those of well-managed businesses with consistent operating histories, solid financial performances, favorable long-term economic prospects, and, in most cases, free cash flow. Over full market cycles, the investment style is designed with the dual objectives of capturing part of the up market cycles and protecting principal in down market cycles.

Under normal circumstances, at least 80% of the assets of the strategy are invested in equity securities or equity-linked instruments of issuers located in Europe, including issuers in emerging markets countries. Equity-linked securities are hybrid debt securities whose return is connected to an underlying equity, usually a stock. The strategy may also invest in derivatives such as Participatory notes. The strategy diversifies its investments among countries and normally has represented in the portfolio business activities of a number of different countries. In determining the

“location” of an issuer, primary emphasis is placed on the country where the issuer is incorporated. However, the country of risk is ultimately determined based on analysis of the following criteria: actual building address (domicile); primary exchange on which the security is traded; and, country in which the greatest percentage of company revenue is generated. This evaluation is conducted so as to determine whether the issuer’s assets are exposed to the economic fortunes and risks of the designated country.

5. The Far Eastern Equities Investment Strategy

This strategy seeks to offer investors exposure to Asian market economies, with the exception of Japan, through what we believe to be well-established companies. The portfolio endeavors to invest in well-managed businesses with consistent operating histories, solid financial performances, favorable long-term economic prospects, and, in most cases, free cash flow. Over full market cycles, the investment style is designed with the objective of capturing part of the up-market cycles and may offer protection in down-market cycles.

Under normal circumstances, at least 80% of the fund’s assets are invested in equity securities or equity-linked instruments of issuers located in Asia (excluding Japan), including issuers in emerging markets. Equity-linked securities are hybrid debt securities whose return is connected to an underlying equity, usually a stock. The strategy may also invest in derivatives such as Participatory notes. The fund intends to diversify its investments among countries and normally to have represented in the portfolio business activities of a number of different countries. In determining the “location” of an issuer, the sub-adviser primarily relies on the country where the issuer is incorporated. However, the country of risk is ultimately determined based on analysis of the following criteria: actual building address (domicile); primary exchange on which the security is traded; and, country in which the greatest percentage of company revenue is generated. This evaluation is conducted so as to determine whether the issuer’s assets are exposed to the economic fortunes and risks of the designated country.

6. The U.S. Equities Investment Strategy

Taking into account the principle of risk diversification, strategy assets are invested mostly in shares, equity-like transferable securities, participation certificates, etc., issued by a company domiciled in the U.S. and/or companies that have their core businesses in the U.S. A maximum of 33% of strategy assets may be invested in companies outside the aforementioned investment universe.

## Risks of the Investment Strategies

The specific risks involved in the management of our six investment strategies are presented in the table below on a strategy-by-strategy basis, followed by a legend explaining the risks.

	INTERNATIONAL EQUITY	EMERGING MARKETS EQUITY	GLOBAL EQUITY	EUROPEAN EQUITY	FAR EAST EQUITY	U.S. EQUITY
FOREIGN SECURITIES RISK	✓	✓	✓	✓	✓	
EMERGING MARKETS RISK	✓	✓	✓		✓	
EQUITY-LINKED INSTRUMENTS RISK	✓	✓	✓	✓	✓	✓
POLITICAL AND/OR REGULATORY RISK	✓	✓	✓		✓	
LIQUIDITY RISK	✓	✓			✓	
CREDIT (OR DEFAULT) RISK	✓	✓	✓		✓	
GEOGRAPHIC CONCENTRATION RISK		✓		✓	✓	✓

### Legend

Foreign Securities Risk – There are special risk factors associated with investing in foreign securities, including: potential political and economic instability; differing accounting and financial reporting standards; inability to obtain reliable information regarding a company's financial condition; less stringent regulation and supervision of foreign securities markets, custodians, and securities depositories; and, potential restrictions in the flow of capital. To the extent the strategy invests a significant portion of its assets in securities of a single country or region, it is more likely to be affected by events or conditions of that country or region. As a result, the strategy may be more volatile than a more geographically diversified strategy. Additionally, foreign securities are generally denominated in foreign currencies. As a result, the risks of fluctuations in the exchange rates between the U.S. dollar and foreign currencies may affect the value of an investment.

Emerging Markets Risk – The risks of investing in foreign securities are heightened when investing in emerging or developing markets. The economies and political environments of emerging or developing countries tend to be more unstable than those of developed countries, resulting in more volatile rates of return than the developed markets and substantially greater risk to investors.

Equity-Linked Instruments Risk – The risk that, in addition to market risk and other risks of the referenced equity security, the strategy may experience a return that is different from that of the

referenced equity security. Equity-linked instruments also subject the strategy to counterparty risk, including the risk that the issuing entity may not be able to honor its financial commitment, which could result in a loss of all or part of the investment.

Political and/or Regulatory Risks – The value of the assets comprising the strategy may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments may be made. Furthermore, in certain countries in which investments may be made, the legal and securities market infrastructure (including the custodial, depository and securities settlement systems operating in such countries) and the accounting, corporate governance and reporting standards in such countries may not provide the same degree of investor protection or information as would generally apply in the major securities markets. As the strategy may invest in markets having some or all of these characteristics, the assets comprising the strategy that are traded in such markets may be exposed to additional risk.

Liquidity Risk – The strategy is also susceptible to the risk that certain securities may be difficult or impossible to sell at the time and the price that the strategy would like. This risk is particularly acute in the case of foreign securities that are traded in smaller, less-developed or emerging markets.

Credit (or default) risk – the risk that an issuer or guarantor of a security or a counterparty to a transaction may default on its payment obligations or experience a decline in credit quality. Generally, the lower the credit rating of a security, issuer, guarantor or counterparty, the greater the risk of default. Also, a downgrade in the credit quality of a security or its issuer or guarantor may cause the security to decline in value.

Geographic Concentration Risk – the risk that concentrating investments in a single country or region may make the strategy susceptible to economic, political, regulatory or other events or conditions affecting companies within such country or region. As a result, the strategy may be more volatile than a more geographically diversified strategy.



## **Item 9. Disciplinary Information**

Under Item 9, registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our advisory services or the integrity of our management.

We have no legal or disciplinary events to report.

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

We have financial industry affiliations with the following institutions:

### Bank Vontobel AG

We are a wholly owned subsidiary of Vontobel Holding AG, which also owns Bank Vontobel AG. Under the terms of a service agreement with Bank Vontobel AG, Bank Vontobel AG provides certain marketing and administrative services to us as described in Item 14.

### Vontobel Asia Pacific, Ltd.

Vontobel Asia Pacific is a wholly owned subsidiary of Vontobel Holding AG. Vontobel Asia Pacific provides certain marketing and administrative services to us as described in Item 14.

### Commingled Funds

As described in Item 4, we serve as the investment manager for the Vontobel Global Emerging Markets Fund and the Vontobel International Equity Fund. These commingled funds are a series of the Vontobel Investment Trust, a Delaware statutory trust. The commingled funds are limited to a finite number of “accredited investors” as that term is used in Regulation D of the Securities Act of 1933.Vontobel Management S.A.

We provide investment sub-advisory services to Vontobel Management S.A. (“Vontobel Management”), a Luxembourg affiliate that serves as investment manager for the Vontobel Fund, a Luxembourg-registered open-end investment company. In providing investment advisory services to Vontobel Management, we sub-advise the following portfolios: US Value Equity, Emerging Markets Equity, Far East ex-Japan Equity, Global Equity ex-US, Global Value Equity, and European Value Equity. Complete information about the Vontobel Fund and its portfolios, including advisory fees and fund operating expenses, are disclosed in the offering documents.

### Vontobel Securities Ltd.

Vontobel Securities Ltd. (“Vonsec”), a Swiss broker-dealer that is registered under U.S. securities laws, is also a wholly-owned subsidiary of Vontobel Holding AG. A potential conflict of interest typically arises when an investment adviser executes transactions through an affiliated broker-dealer. In order to remove the possibility of such a conflict, we have adopted a strict policy against using an affiliated broker-dealer to execute trades in any of the strategies that we manage.

#### WR Platform Advisors, LP

In 2011, Vontobel Holding AG purchased a minority interest in WR Platform Advisors, LP (“WR”), an SEC-registered investment adviser. Based on this ownership interest and certain voting rights acquired by Vontobel Holding AG, Vontobel Holding AG may be deemed to “control” WR under the Advisers Act, in which case WR and Vontobel may be considered “related persons” under the Advisers Act. However, we do not consider this relationship to be material because: (1) we have no business dealings with WR in connection with advisory services we provide to clients; (2) we do not conduct shared operations with WR; (3) we do not refer clients or business to WR, and WR does not refer prospective clients or business to us; (4) we do not share supervised persons or premises with WR; and, (5) we have no reason to believe that our relationship with WR creates a conflict of interest with our clients.

#### Vontobel Europe S.A.

Vontobel Europe S.A. is a wholly owned subsidiary of Vontobel Holding AG. Vontobel Europe S.A. provides certain marketing and administrative services to us as described in Item 14.

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

As required by SEC Rule 204A-1, we have adopted a code of ethics as part of our overall policies and procedures that applies to all of our employees. Designed to maintain and enforce our ongoing commitment to a high level of business and ethical conduct, the code of ethics addresses a variety of important matters, including:

- the standards of conduct expected of employees;
- the need to place the interests of clients before our own;
- the ability of employees to engage in various types of securities transactions;
- the terms and conditions under which employees may deal with entities that transact business with us; and,
- the circumstances under which an employee may make a political contribution to a candidate for public office

Clients or prospective clients may obtain a copy of the code of ethics by written request to our Chief Compliance Officer.

### Personal Trading

Our employees may buy or sell securities identical to those recommended for our clients. A potential conflict of interest may arise when an employee buys or sells a security in close proximity to the date of a purchase or sale of the same security on a client's behalf. Incentives to take advantage of the market effect of the latter may compromise the timing of the selection of a security, or the actual selection itself, thus negatively affecting client interests. Similarly, the market effect of an employee's trade may negatively affect a subsequent purchase or sale price obtained for a client. Accordingly, our code of ethics subjects all of our employees to, among other things, various restrictions relating to their personal securities transactions. These restrictions include:

- 1) Prohibition against trading while in possession of material non-public information ("insider trading");
- 2) Prohibition against investing in initial public offerings (IPOs);
- 3) Restrictions on investing in private placements;
- 4) Prior written clearance of trades;
- 5) Restrictions on purchasing or selling a security within seven days before or after the date on which a transaction in the same security is effected for a client;
- 6) Restrictions on short-term trading in securities owned by our clients or which are being considered for purchase by our clients; and,
- 7) Regular reporting of personal trades.

The code of ethics also addresses the fiduciary duties expected of our employees, including confidentiality obligations, gift and corporate opportunity policies, and restrictions on outside business activities.

### Proprietary Trading

We currently manage two proprietary accounts that invest in the same or similar securities that we recommend for our clients. As discussed in Item 12 below, a potential conflict of interest may arise when an investment adviser aggregates or bunches trades for its own accounts with client orders. To eliminate this conflict of interest, our policies and procedures require that all trades for clients are executed prior to the execution of trades in the same or similar securities for our proprietary accounts.

### Political Contributions Policy

This Policy establishes the procedures through which the Firm complies with Rule 206(4)-5 under the Investment Advisers Act of 1940 regarding political activity by investment advisers that do business with government entities.

The intent of Rule 206(4)-5 is to remove any connection between the act of making political contributions to state and local government officials, and the awarding by such officials of government and public pension investment advisory business. The Rule is designed to address these “pay-to-play” practices by:

- Prohibiting investment advisers from being compensated for investment advisory services provided to a state or local government entity for two years if covered employees of the Firm make political contributions to certain officials of that government entity in excess of certain *de minimis* levels;
- Prohibiting solicitation or coordination of political contributions to such officials or certain state or local party committees;
- Only allowing employees of the investment adviser and certain regulated entities to solicit investment advisory business from government entities; and,
- Requiring investment advisers to maintain books and records relating to state and local government entity clients, political contributions, use of placement agents, and information relating to covered employees.

In furtherance of these regulatory strictures, the Firm has adopted the following procedures:

1. Contributions: All employees are required to obtain approval from the Compliance Department prior to making any political contribution.
2. Coordinating or Soliciting Contributions, or Political Fundraising: All employees must obtain approval from the Compliance Department prior to coordinating or soliciting political contributions, or engaging in any other political fundraising.

3. Prohibition Against Establishing or Controlling a Political Action Committee (PAC) Employees are prohibited from establishing, controlling, contributing to or otherwise being involved with a PAC without pre-approval from the Compliance Department.
4. Indirect Contributions Employees are prohibited from performing any act which would result in a violation of Rule 206(4)-5 and/or this Policy, whether directly or indirectly, or through or by any other person or means.
5. Volunteering for a Campaign Employees are not prohibited from volunteering to serve on political campaigns or providing any other services that would not be considered a Contribution under this Policy.
6. Quarterly Political Contributions Certification Form At the end of each calendar quarter, employees are required to submit to the Compliance Department a Quarterly Political Contributions Certification Form.
7. Use of Placement Agents No employee may directly or indirectly use a third-party or an affiliate (i.e., anyone who is not an employee of the Firm) to solicit a public official or government entity for investment advisory services without pre-approval from the Compliance Department.

## Item 12. Brokerage Practices

### Best Execution

We have a fiduciary obligation to seek to obtain best execution for securities transactions on behalf of our clients, and broker-dealers are selected with a view toward obtaining best execution. Best execution requires more than obtaining the lowest commission rates. It entails seeking the best overall result for our clients. Accordingly, in evaluating broker-dealers for trade execution, we consider, among other things, commission rates, the price paid or received for a security, the financial integrity and condition of the broker-dealer, the ability to consummate and clear trades in an orderly and satisfactory manner, consistency in quality of service, research or other services provided by the broker-dealer, and broad market coverage resulting in a continuous flow of information concerning bids and offers.

The above factors are generally considered in evaluating the performance of broker-dealers that we use and when placing a broker-dealer on our approved list. Specifically, we follow the following procedures:

- Quarterly, our Trade Management Oversight Committee (TMOC) will evaluate the trading techniques and strategies used by the firm and the performance of the broker-dealers we use.
- In evaluating performance, members of the TMOC will consider the following:
  - Input from portfolio managers, traders and others;
  - Establishing an acceptable commission range for trades;
  - Information about the commissions paid over the previous quarters, including to the extent whether the commissions exceed the acceptable, pre-established range and the circumstances that caused the deviation;
  - Statistical and other information from consultants and vendors on the execution capabilities of broker-dealers;
  - Quality of overall execution services provided by the broker-dealer;
  - Quality and depth of research services (if any) provided by the broker-dealer;
  - Credit worthiness and business reputation of the broker-dealer;
  - Promptness and accuracy of oral, hard copy or electronic reports of execution;
  - Any expertise the broker-dealer may have in executing trades for the particular type of security;
  - Reliability of the broker-dealer;
  - Soft dollar program of the broker-dealer;
  - Financial condition of the broker-dealer;
  - Whether the broker-dealer can maintain and commit adequate capital when necessary to complete trades;
  - Whether the broker-dealer can respond during volatile market periods;
  - The broker-dealer's level of trading expertise, including its ability to search for and obtain liquidity to minimize market impact, accommodate unusual market conditions, complete trades, execute unique trading strategies, execute and settle difficult trades, and maintain our anonymity; and,
  - Overall commitment to technology and its access to a trading system with the following characteristics: order-entry systems, adequate lines of communication, timely order

execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume.

### Soft-Dollar Benefits

In addition to the execution of client securities transactions, we sometimes receive proprietary or third-party investment research or other benefits from the executing broker-dealer. Part of the commission paid to the broker-dealer is apportioned to pay for this benefit. This portion of the commission is called “soft dollars,” the payment of which is regulated by Section 28(e) of the Securities Exchange Act of 1934. Under that statute, a service must provide lawful and appropriate assistance to an investment adviser in performance of investment decision-making responsibilities to be eligible for a soft-dollar payment. We use soft dollars to obtain third-party research to assist our analysts, thereby enhancing our research effort. We may also use soft dollars to pay for certain brokerage services. Thus, we receive a benefit from soft dollars in that we do not have to produce or pay for certain products or services.

We will only enter into a soft-dollar arrangement if we receive “research-related” or certain “brokerage-related” services. We do not use soft dollars to assist in any way with the management of the firm. Currently, all products that we use soft dollars for are research-related.

In this regard, we receive research services, including advice, either directly or through publications or writings, regarding:

- The value of securities, the advisability of purchasing or selling securities, and an understanding of the current liquidity and depth of a particular security;
- Analyses and reports concerning issuers, securities, industries or specific markets; and,
- Information on economic factors and trends, accounting and tax law interpretations, political and legal developments affecting portfolio securities, and assistance with portfolio strategies, performance analysis and risk measurement analysis.

Such research services are provided in the form of:

- Access to various computer-generated data, computer software and hardware used in security analyses;
- Portfolio performance evaluation services;
- Technical market analyses;
- Meetings arranged with corporate and industry spokespersons, economists, academics and government representatives;
- Large electronic financial news source;
- Investment analytics tool;
- Investment management system;
- Equity research service;
- Online research aggregator of investment bank-sourced data;
- Benchmark provider;



- Ratings service;
- Risk modeling system;
- Economic research company;
- Large electronic financial information source;
- Market research provider; and,
- Independent research provider.

These services may be produced or provided by the broker-dealer, or produced by a third party and provided by the broker-dealer, in accordance with Section 28(e) of the Securities Exchange Act of 1934. We have entered into a chosen agreement with Westminster Research Associates, a full-service broker-dealer, to provide us with commission management services. Through Westminster's network of top-tier institutional trading desks, we can execute trades while consolidating in one broker-dealer all of the administrative, servicing, and reporting functions of our research acquisition business. Of course, we always have the option of selecting broker-dealers, for any purpose, outside of this arrangement.

Vontobel seeks to match the level of soft dollar credits accumulated with broker-dealers with its anticipated research needs. However, there may be temporary surpluses or deficits in credits from time to time depending upon, among other things, the timing of soft dollar research, the level of trading by Vontobel, and other factors. Accordingly, Vontobel may permit broker-dealers to assign commission deficits or credits accumulated by Vontobel directly to Westminster Research Associates, which would in turn be paid for with future credits pooled with Westminster Research Associates.

#### Research Determinations

When determining whether a particular product or service is eligible under Section 28(e), we will conclude that such product or service is eligible only if it provides us lawful and appropriate assistance in the performance of our investment decision-making responsibilities. In making this determination, we will use our best judgment as a fiduciary to: justify the use of client brokerage to pay for the particular product or service, determine the exact nature of the product or service being acquired, and decide how we will use the product or service. We will not deem a particular product or service to be eligible if it merely aids our marketing or business activities.

Examples of products and services that are generally eligible under Section 28(e) are:

- Research reports;
- Technical analyses;
- Magazines and journals related to industry research;
- Mutual fund data;
- Stock price quotation and pricing services;
- Certain computer hardware or software that analyzes securities portfolios or performs other investment-related functions;
- News services;
- Portfolio modeling services;

- Brokerage analysts earnings estimates;
- Conferences and seminars related to research;
- Performance measurement services that aid an adviser's investment decision-making;
- Credit rating services;
- Software or hardware used for research; and,
- Information on economic trends, political developments, and performance analyses.

#### Mixed-Use Products and Services Allocations

In some cases, a portion of a product or service acquired in a soft-dollar arrangement may be eligible under Section 28(e), while another portion is not. Examples of such mixed-use products and services are:

- Computer hardware and software used for research and administrative (back office) purposes;
- Performance measurement software or services that assist us with investment management and marketing; and
- Stock quotation services that assist us when making investment management decisions and when computing the value of client accounts.

When we purchase mixed-use products or services in a soft-dollar arrangement, we will:

- Analyze whether such services are: (a) eligible; (b) ineligible; or (c) a mix of eligible and ineligible components;
- For mixed-use products, determine which part (percentage) of the product is eligible and which part is ineligible according to its anticipated uses and other factors (e.g., percentage of time used for research and non-research activities);
- Pay for the eligible component of the product or service with soft dollars and the ineligible component of the service with hard dollars (i.e., our own money); and,
- Create records demonstrating the allocation and rationale for the particular allocation.

#### Review of Soft-Dollar Practices

Our Trade Management Oversight Committee periodically will:

- Meet with our investment management personnel regarding their use of the products and services received from broker-dealers;
- Review internal monthly financial reports that include a section on the sources and uses of all soft dollars;
- Evaluate the products and services we receive and attempt to rank broker-dealers based on the value of such services and products;
- Review current justifications for entering into each soft-dollar arrangement to determine if the product or service is needed and whether it provides legitimate assistance in our investment decision-making process; and
- Approve or deny any proposed changes to the list of broker-dealers we use.

## Soft-Dollar Conflicts of Interests

Section 28(e) of the Securities Exchange Act of 1934 permits an investment adviser to place a client trade with a broker-dealer that does not offer the lowest commission for a trade. You should be aware that we may pay a broker-dealer that provides brokerage and research services commissions in excess of the amount that another broker-dealer might have charged for effecting the same securities transaction. Such an arrangement presents a conflict of interest on the part of the investment adviser. The investment adviser may have an incentive to direct client trades to the broker-dealer that will provide the most services. We address this conflict by ensuring that commission payments are reasonable in terms of the value of the services to be obtained with soft dollars, in accordance with Section 28(e) and the policies and procedures discussed above.

Some of the brokerage and research services obtained with soft dollars benefit all clients, while others may only benefit a specific segment of our clients. A limited number of clients may benefit from services obtained with soft-dollar commissions, although those client's accounts do not generate soft-dollar commissions. We do not attempt to match a particular client's trade executions with broker-dealers that provide brokerage and research services directly benefiting such client's account.

## Client Commission Arrangements

Vontobel obtains a substantial portion of its soft dollar benefits through client commission arrangements ("CCAs"). The Firm has entered into several client commission arrangements ("CCAs") (also known as commission sharing arrangements) with some of its key broker-dealer relationships.

At the same time, the Firm has significantly reduced the number of brokers with which it will trade. In a CCA, subject to best execution, the Firm will allocate a higher portion of its clients' equity trading to broker-dealers who have agreed to unbundle their commission rates in order to enable the Firm to negotiate rates separately for execution and research and research services. The execution rates the Firm has negotiated with such firms vary depending on the difficulty of the orders the Firm has asked the CCAs to execute. The research and research services rates with such firms will also vary.

Pursuant to the CCA agreements the Firm has with these broker-dealers, each will pool the research commissions accumulated during a calendar quarter and then, at the direction of the Firm, pay various broker-dealers and third-party services from this pool for the research and research services such firms have provided to the Firm. Potentially construed as soft dollar arrangements, each CCA and the Firm intend to comply with the applicable requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended, as well as the Commission Guidance Regarding Client Commission Practices under Section 28(e) in the SEC Release No. 34-54165 dated July 18, 2006.

The Firm has a comprehensive internal voting process whereby the Firm's equity portfolio managers and research analysts vote on various aspects of a broker dealer's qualitative services,

which include without limitation: research and other services; idea generation; discussions with research analysts and corporate executives; seminars; and, conferences. This internal voting process is performed on a quarterly basis, and the Firm uses the results of this internal vote to determine, in good faith, the value of the research and research services it receives from the broker-dealers that provide such services, and it will pay such broker-dealers for these services through its CCAs and/or through trading directly with the broker-dealers.

The CCAs enable the Firm to strengthen its relationships with its key broker-dealers, and limit the broker-dealers with whom it trades to those with whom it has an electronic interface, while still maintaining the research relationships with broker-dealers that provide the Firm with research and research services. In addition, the ability to unbundle the execution and research components of commissions enables the Firm to manage commissions more efficiently and to provide greater transparency to its clients in their commission reports.

In addition to trading with the CCA broker-dealers discussed above, the Firm continues to trade with full service broker-dealers, ECNs and ATSS.

#### Directed Brokerage

In a directed brokerage arrangement, a client directs the investment adviser to send some or all of the client's securities transactions to a designated broker-dealer. In exchange, the broker-dealer may agree to provide services to the client, pay certain client expenses, or make cash rebates. We neither require nor recommend that a client establish a directed brokerage arrangement. However, we do accommodate clients who direct us, in whole or in part, to use a particular broker-dealer.

In this regard, clients should note that directed brokerage may cost them more money. Directed brokerage may limit our ability to obtain volume discounts on aggregated orders or obtain best price and execution for a particular transaction. When effecting aggregated orders on behalf of our clients, we attempt, when the circumstances are appropriate, to include in the bunched order transactions of clients who have directed the use of a particular broker-dealer. When it is not possible to include the order of such a client, brokerage orders for that client may result in greater transaction costs.

#### Aggregated Trade Orders

Whenever feasible, trade orders will be aggregated when we desire to purchase or sell the same security for multiple clients. We aggregate such orders for administrative convenience and to achieve lower execution costs that are typically associated with larger orders.

It is our policy and practice to obtain, in the Investment Management Agreement, consent from a client before aggregating or bunching its trades with those of other clients. Such consent may also be obtained through a separate document signed by the client evidencing its consent to aggregate trades.

We have implemented policies and procedures that prohibit the firm from aggregating client orders unless such orders are in the best interests of each client participating in the order, consistent with our duty to obtain best execution, and consistent with the terms of the Investment Management Agreement of each participating client.

Additionally, no client account will be favored over any other account in the order. The price of the securities purchased or sold in an aggregated order will be at the average share price for all transactions of the clients in that security on a given day, with all transaction costs shared on a pro rata basis irrespective of the order size of each client involved in the aggregated trade. Our TMOC reviews aggregated trades periodically to ensure that our policies and procedures in this area are followed.

A potential conflict of interest may arise when an investment adviser aggregates client orders with orders on behalf of any account in which the investment adviser or any of its employees have an economic interest (i.e., a proprietary account that we own). Accordingly, we prohibit the aggregation of any such account with client orders. In the event that we seek to place a trade for a proprietary account in the same or equivalent security that is being traded for a client, our policies and procedures require that all client orders first be completed.

### **Item 13. Review of Accounts**

Our Portfolio Compliance Officer reviews client portfolios on a daily basis to ensure that client guidelines are followed and that portfolio holdings remain consistent with the particular investment strategy selected by the client. In carrying out these responsibilities, the Portfolio Compliance Officer uses the Charles River Investment Management System (CRIMS) to perform pre- and post-trade portfolio compliance. This automated portfolio monitoring tool is a Web-based system that allows us to monitor various types of investment policy guidelines. The pre-trade compliance module of this system is an integral part of the firm's trading system. Prior to a transaction being sent to a broker-dealer for execution, that transaction is automatically checked by the pre-trade compliance module for compliance with investment guidelines and restrictions. If a potential transaction is stopped by the pre-trade compliance module, an alert is generated and the transaction is flagged for the Portfolio Compliance Officer's review. The pre-trade compliance system does not allow employees on the portfolio management team or traders to complete or cancel a transaction flagged for review. The system requires the Portfolio Compliance Officer or the Chief Compliance Officer either to release the transaction to be completed, or cancel the transaction in the trading system prior to its execution. On a nightly basis, the pre-trade compliance system produces a report showing all alerts that were identified during the day for review by the Compliance Department.

Similarly, the Portfolio Compliance Officer utilizes CRIMS to perform post-trade compliance. Accounting data is fed directly from the back office book of record overnight, and clients' portfolios are checked each day. In the event that any investment parameters have been breached, the client is notified.

All of our portfolio managers are also responsible for reviewing client accounts to ensure investments are within client guidelines and firm policy. In addition, on a quarterly basis, our Trade Management Oversight Committee reviews each client account to monitor investment performance, portfolio composition, stock selection, and compliance with its investment objectives and guidelines.

In addition, an impromptu portfolio review by a portfolio manager may be triggered by major events, such as a developing trend toward dispersion of returns among accounts managed in the same asset class, or a request by the client to change the investment objective of the account.

#### **Standard Reports**

We offer our clients a broad array of standard written reports and also create customized reports at their request. We also provide educational seminars for our clients upon request.

At a minimum, our clients typically receive the following written reports:

<b>Report</b>	<b>Description of Content</b>	<b>Frequency</b>
Client Statement	Client portfolio update.	Monthly and quarterly
Investment Commentary	A quarterly overview of the market, performance and outlook.	Quarterly
White papers	The firm's view on a particular topic of interest.	Semi-annually

Monthly/quarterly client statements include the following written documents:

1. Performance Report
2. Asset Summary
3. Country Exposure Holdings Report
4. Detailed Holdings by Country
5. Sector Exposure Holdings Report
6. Detail Holdings by Sector
7. Top 10 Equity Holdings with Yield
8. Investment Transaction Summary
9. Income and Expense Summary
10. Transaction Detail by Security
11. Broker Commission by Broker Summary
12. Change in Book and Market Values
13. Foreign Exchange Rates to Base Currency
14. New and Sold Positions

Client portfolio statements are generally available eight business days after month-end.

## **Item 14. Client Referrals and Other Compensation**

### Solicitation Arrangements

We do not currently utilize the services of third-party solicitors for client referrals. We have, however, entered into an agreement with Bank Vontobel AG to introduce to us potential clients located in Europe and the Middle East. We have also entered into an agreement with Vontobel Asia Pacific, Ltd., a foreign affiliate located in Hong Kong, and Vontobel Europe, S.A. to introduce potential clients located in Asia and Europe to us and to provide certain administrative services. These affiliates are required to perform their duties in a manner consistent with the Investment Advisers Act and applicable law. We generally compensate these affiliates with a fee equal to a percentage of the client's assets under management. Clients who are introduced to us by these affiliates are not charged any additional fees or a greater investment management fee as a result of the introduction. In other words, we are solely responsible for paying these affiliates for their services.



## **Item 15. Custody**

### Custodians – Separate Accounts

We do not have custody of any client funds or securities for any of the separate accounts that we manage. All client assets are held by an independent qualified custodian selected by the client. Clients receive quarterly account statements from their qualified custodians and various reports and statements from us as described in Item 13. Clients should carefully review the account statements they receive from their custodian against those they receive from us for any discrepancies.

### Custodians – Commingled Funds

With respect to the commingled funds, we may be deemed to have custody of client funds due to our authority to instruct the custodian to deduct investment management fees from client accounts. With the exception of this authority to deduct our investment management fees, we do not have custody of client funds or securities. All client assets in the commingled funds are held by an independent qualified custodian. Clients in the commingled funds receive monthly account statements from their qualified custodians and various reports and statements from us as described in Item 13. Clients should carefully review the account statements they receive from their custodian against those they receive from us for any discrepancies. Additionally, the financial statements for the commingled funds are audited on an annual basis by an independent accounting firm who is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The results of the audit are delivered to clients within 90 days after the commingled funds' fiscal year-end.

## **Item 16. Investment Discretion**

We accept discretionary authority to manage securities accounts on behalf of our clients. Indeed, less than 1% of client assets are held on a non-discretionary basis. The terms of our discretionary authority are set forth in the Investment Management Agreement entered into with the client.

### Acquisition of Discretionary Authority

Client Investment Management Agreements typically grant us full power and authority to buy, sell and otherwise deal in securities in the account, either in our capacity as investment manager alone, or coupled with limited powers of agent and attorney-in-fact for directing investments.

### Client Limitations on Discretion

Our investment discretion may be limited, restricted or otherwise amended by the terms in the client's Investment Management Agreement or any amendments thereto.

## Item 17. Voting Client Securities

### Vontobel Policy Guidelines for Voting Proxies

Clients may opt to have us vote proxies on their behalf. We rely on an outside proxy voting service provider for proxy voting research and guidance. A copy of our proxy voting policies and procedures is available to clients upon request. We will provide clients with a summary of the proxy votes cast for their portfolio on a quarterly basis upon a client's written request. Clients can change their proxy voting option at any time by providing us with written notice.

Because the outcome of shareholder votes may affect investment values, we exercise an important responsibility by voting proxies. We support the right of shareholders to submit important matters for inclusion on a company's proxy statement. In each case – whether a proposal is introduced by management or shareholders – we vote based on the financial interest of our clients.

Pursuant to SEC Rule 206(4)-6, we have adopted policies and procedures for voting proxies. The key objective of our policies and procedures is to recognize that a company's management is entrusted with the day-to-day operations and longer term strategic planning of the company, subject to the oversight of the company's board of directors. While ordinary business matters are primarily the responsibility of management and should be approved solely by the corporation's board of directors, this objective also recognizes that the company's shareholders must have final say over how management and directors are performing, and how shareholders' rights and ownership interests are handled, especially when matters could have substantial economic implications for the shareholders. Therefore, we will pay particular attention to the following matters in exercising our proxy voting responsibilities as a fiduciary for our clients:

Accountability. Each company should have effective means in place to hold those entrusted with running a company's business accountable for their actions. Management of a company should be accountable to its board of directors and the board should be accountable to shareholders.

Alignment of Management and Shareholder Interests. Each company should endeavor to align the interests of management and the board of directors with the interests of the company's shareholders. For example, we generally believe that compensation should be designed to reward management for doing a good job of creating value for the shareholders of the company.

Transparency. Timely disclosure of important information about a company's business operations and financial performance enables investors to evaluate the performance of a company and to make informed decisions about the purchase and sale of a company's securities.

### Decision Methods & Conflicts of Interests

The sheer number of proxy votes related to client holdings makes it impossible for us to research each and every proxy issue. Recognizing the importance of informed and responsible proxy voting, we rely on

Institutional Shareholder Services (ISS) to provide proxy voting research and guidance. ISS offers two separate policies, one general plan and another for Taft-Hartley clients. In most cases, we vote in accordance with ISS's recommendations.

Conflicts of interest can arise when a particular proxy vote pits the interests of an investment adviser against those of a client, where, for example, the issue of an investment adviser's fees is somehow involved. Other possible conflicts include where an investment adviser manages an issuer's retirement plan, or an investment adviser or an employee has a business relationship with an issuer. Conflicts of interest can arise in many other ways as well. Whenever a proxy vote presents a material conflict between the interests of a client, on the one hand, and the firm's interests or the interests of a person affiliated with the firm on the other, we will use one of the following methods to resolve the conflict, provided the method results in a decision that is based on the client's best interest:

- Provide the client with sufficient information regarding the shareholder vote and our potential conflict with the client, and obtain the client's consent before voting;
- Vote securities based on the pre-determined voting policy set forth herein;
- Vote client securities based upon the original recommendation of ISS; or,
- Request the client to engage another party to determine how the proxies should be voted.

With respect to registered investment company clients, we will resolve all conflicts by voting pursuant to ISS's recommendations. With respect to non-registered investment company clients, typically, we will abstain from making a voting decision and will forward all of the necessary proxy voting materials to the client to enable the client to cast the votes. However, alternative resolutions are possible.

Our proxy voting policies and procedures apply only to those clients who in their Investment Management Agreements have chosen to have us vote their proxies. Those clients who have not chosen to have us vote their proxies will receive their proxies or other solicitations directly from their custodian, who will be solely responsible for providing clients with information about a particular solicitation.

#### Voting Records

To obtain a record of votes cast on its behalf, a client should contact Carl Thomas at 212-415-7072 or at [carl.thomas@vusa.com](mailto:carl.thomas@vusa.com). Clients may also obtain a copy of our proxy voting policies and procedures upon request.

## **Item 18. Financial Information**

Under this Item, registered investment advisers are required to provide certain financial information or disclosure about their financial condition. We have no financial condition that would impair our ability to meet any contractual commitments to our clients.