

# Hansberger Global Investors

---

401 East Las Olas Boulevard, Suite 1700  
Fort Lauderdale, FL 33301  
Telephone 954 522 5150  
Fax 954 713 2525  
[www.hansberger.com](http://www.hansberger.com)

**March 30, 2012**

## Our Firm and our Practices



This brochure contains information about the qualifications and business practices of Hansberger Global Investors, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). If you have any questions about the contents of this brochure, please contact us at (954) 522-5150 or via email at [marketing@hansberger.com](mailto:marketing@hansberger.com). The information contained in this brochure has not been approved or verified by the SEC, any State, or international regulatory authority. Our status as a registered investment adviser also does not imply any level of skill or qualification. Additional information about Hansberger Global Investors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes since the Last Annual Update

Material changes from the last annual update in March 2011 will be summarized in a separate memorandum that will be sent to all existing clients with this updated brochure, and delivered to prospective clients with this brochure.



HANSBERGER  
GLOBAL  
INVESTORS

## Letter from our President and CEO

Dear Clients and Prospective Clients:

In 1994, Hansberger Global Investors embarked on a journey to build a world-class investment management boutique specializing in international equity research and dedicated to assisting clients in meeting their long term financial goals. To achieve our mission, we have built Teams of talented investment professionals with varied backgrounds to bring a true global view to our research and to the development of our investment thesis and decisions. Our team-based investment management process helps ensure that we leverage the experience, talents and diverse world views of our investment professionals in reaching our investment decisions. We also believe that our collaborative approach ensures consistency in the management of our clients' assets, and encourages the professional development of investment professionals which promotes continuity of management.

Although circumstances may change in our business, we remain steadfast in our commitment to our core mission of helping our clients meet their long term financial goals. All of our clients are important to us and we pride ourselves in providing our clients with an extraordinary service experience that we define as the "*Hansberger Advantage*." To further that end, each client is served by a team comprised of both investment professionals and client service professionals who are dedicated to understanding each client's specific needs and investment objectives.

We hope you will find this brochure helpful to understanding our firm and the policies and procedures that govern how we manage the assets entrusted to us by our clients. As this brochure is designed to assist you, we welcome any suggestions that you may have to clarify the information presented or to add new details in future editions. Because some disclosures in this brochure are required by US SEC rule, we may not have the ability to change or omit certain information presented, but we will certainly respond to your suggestions. If you have any comments, suggestions or queries, please call us at 954-522-5150, or email us at [marketing@hansberger.com](mailto:marketing@hansberger.com).

Most importantly, we thank each of our clients for the trust they have placed in us. Given the breadth of investment options available we truly appreciate your commitment. We will continue to hold firm to our core mission and endeavor to earn your trust every day. Finally, we encourage prospective clients to contact us for additional information and to directly experience the *Hansberger Advantage*.

Sincerely,

Ronald W. Holt, Jr.

President and Chief Executive Officer

# Contents

<b>I. Advisory Business</b>	<b>1</b>
A. Our Firm	
B. Our Ownership Structure	
C. Advisory Services Offered	
D. Types of Advisory Services	
E. Our Wrap Fee Account Services	
F. Client Guidelines and Restrictions	
<b>II. Fees and Compensation</b>	<b>4</b>
A. Standard Fee Schedule and Account Minimums for Separate Accounts	
B. Fees and Minimums for Other Types of Accounts	
C. Billing and Payment of Fees	
D. Termination of our Services	
<b>III. Performance Based Fees and Side-by-Side Management</b>	<b>6</b>
<b>IV. Types of Clients</b>	<b>6</b>
<b>V. Methods of Analysis, Investment Strategies and Risk of Loss</b>	<b>7</b>
A. Our Methods of Analysis	
B. Description of Principal Risks of our Strategies	
C. Our Investment Strategies/ Methods of Analysis and Primary Risks	
<b>VI. Disciplinary Information</b>	<b>16</b>
<b>VII. Other Financial Industry Activities and Affiliations</b>	<b>17</b>
<b>VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>	<b>18</b>
A. Our Ethics Policies	
B. Participation or Interest in Client Transactions	
<b>IX. Brokerage Practices</b>	<b>23</b>
A. Best Execution	
B. Our Receipt of Proprietary Research	
C. Our Broker Selection Process	
D. Client Directed Brokerage	
E. Our Trading Policies and Procedures	
<b>X. Review of Accounts</b>	<b>31</b>
<b>XI. Client Referrals and Other Compensation</b>	<b>33</b>
<b>XII. Custody</b>	<b>33</b>
<b>XIII. Investment Discretion</b>	<b>33</b>
<b>XIV. Voting Client Securities</b>	<b>34</b>
<b>XV. Financial Information</b>	<b>35</b>
<b>XVI. Requirements for State Registered Advisers</b>	<b>35</b>
<b>XVII. Other Services and Information</b>	<b>35</b>
A. Pricing and Valuation Assistance	
B. Our Privacy Policies and Practices	
C. Our Anti-Money Laundering Policies and Practices	
D. Our Relationship with Consultants	
<b>XVIII. Our Compensation Practices</b>	<b>37</b>
<b>XIX. Closing</b>	<b>38</b>

## I. Advisory Business

### A. Our Firm

Hansberger Global Investors, Inc. (“HGI”) is a global investment management firm dedicated exclusively to managing international, global and emerging markets equity mandates for institutional clients. Our team is comprised of 60 individuals, including 21 investment professionals, representing 19 nationalities who speak collectively 14 languages. We operate globally under the name HGI with our main headquarters in Fort Lauderdale, Florida, United States. We also have offices in Ontario, Canada, Hong Kong, Mumbai, India and Moscow, Russia. HGI was formed in 1994, and is a registered investment adviser with the United States Securities and Exchange Commission (“US SEC”), and registered as a portfolio manager in certain Canadian provinces.<sup>1</sup> As of February 29, 2012, we had a total of \$8.7 billion of client assets under advisement, which includes \$7.5 billion of discretionary assets under management, and \$1.2 billion of non-discretionary assets, which includes assets for which we provide model portfolios to wrap-fee programs sponsored by other financial firms.

### B. Our Ownership Structure

Hansberger Group, Inc., a Delaware corporation, is our direct parent company. Hansberger Group, Inc. is wholly owned by Natixis Global Asset Management, L.P. which is an indirect subsidiary of Natixis Global Asset Management (“NGAM”), an international asset management group based in Paris, France. NGAM in turn is owned by Natixis, a French investment banking and financial services firm. Natixis is principally owned by BPCE, France’s second largest banking group. BPCE is owned by banks comprising two autonomous and

complementary retail banking networks consisting of the Caisse d’Epargne regional savings banks and the Banque Populaire regional cooperative banks. There are several intermediate holding companies and general partnership entities in the ownership chain between BPCE and us.

As a result of this ownership structure, we are part of a global financial services group centered in Paris, France. NGAM owns, in addition to our firm, a number of other asset management and distribution and other financial service companies. In addition, NGAM’s parent companies, Natixis and BPCE, each own, directly or indirectly, other investment advisers and securities and financial services firms which also manage assets and engage in securities transactions globally. In this brochure, when we refer to affiliates or affiliated companies, we are referring to companies that also are owned by Natixis or an affiliated company.

### C. Advisory Services Offered

HGI is dedicated exclusively to managing global, international and emerging market equity mandates for institutional clients. We currently offer the following Strategies:

- International Growth Equity
- International Value Equity
- International Core Equity
- Emerging Markets Equity
- Focused Global Value Equity
- Focused International Growth Equity
- Focused International Value Equity
- Focused International Equity

We do not currently offer advice or investment management services for fixed income securities, including bonds and notes, derivative instruments or commodities, although we may use derivatives (currency forwards) to a limited extent in our focused Strategies.

---

<sup>1</sup> Our status as a registered investment adviser in the United States and a portfolio manager in any other non-US jurisdiction does not imply any level of skill or qualification.

## D. Types of Advisory Services

---

We offer both discretionary and non-discretionary advisory services. An account is considered discretionary when we are authorized to make investment decisions and place trades to implement those decisions when we believe it is appropriate subject to an account's guidelines. An account is considered non-discretionary when we are constrained in our ability to manage the account or place trades when we believe it is appropriate. For example, non-discretionary accounts include accounts that require client pre-approval before implementing our investment ideas, or when we do not have trading authority. Non-discretionary accounts may experience delays in our placement of trades based upon our trade placement priorities. Our trade placement priorities are discussed in more detail in Section IX of this brochure.

We act as the investment adviser to an account when we have a direct contractual relationship with the underlying client, or act as a subadviser when we have a direct contractual relationship with the investment adviser or other third party. We currently act as a discretionary adviser to certain affiliated US mutual funds, an unaffiliated trust company, and institutional separate accounts, including pension funds, endowments and foundations, union retirement plans, and funds managed by state and local governments or municipalities (that we refer to as "public funds"). We also act as a discretionary sub-adviser for certain unaffiliated US funds, and affiliated funds organized in Europe and offered for sale outside of the United States.

We also may provide discretionary or non-discretionary investment management services to separately managed wrap-fee accounts offered by a broker-dealer or other financial firm. Under a wrap-fee program, a sponsor offers separate account management for clients under a single-fee structure covering advisory, custody, trading, recordkeeping and client reporting services. Trading is generally done net or without commission or markup generally

through designated broker(s) chosen by the sponsor. Under a discretionary mandate for a wrap-fee program, we would be responsible for placing trades for the underlying accounts, and under a non-discretionary arrangement, we are responsible for providing a model portfolio to the sponsor or investment adviser who is ultimately responsible for making final investment decisions, and placing trades, for the underlying accounts. A portion of the wrap fee paid by clients is paid to us when we act as an adviser or subadviser to a wrap-fee program.

## E. Our Wrap Fee Account Services

---

We do not sponsor any wrap-fee programs. Currently, we act only as a non-discretionary sub-adviser for certain wrap-fee programs sponsored by other financial firms, including programs with affiliated companies by periodically providing a model portfolio ("Model Portfolio") in an investment Strategy to the sponsor or investment adviser. In these wrap-fee programs, the model portfolios we provide may contain only American Depositary Receipts ("ADRs") that trade on US exchanges denominated in US dollars, Global Depositary Receipts ("GDRs") that trade on a non-US exchange denominated in the local currency of the exchange on which they trade, or also may include shares of companies that trade in local markets outside of the U.S. denominated in the local currency, that we call local shares. The Model Portfolios we provide are based on a Strategy identified in our contract that may be chosen by a hypothetical US client with a specified account minimum seeking exposure to the investment style. We do not know the specific circumstances or guideline restrictions for any underlying wrap-fee account. Another financial firm has final authority over whether, how and when to conform the underlying wrap-fee accounts to our Model Portfolio or recommended changes to the Model Portfolio.

We may or may not manage discretionary accounts in a comparable manner to some of the Model Portfolios we provide to wrap-fee



programs. The recommendations implicit in our Model Portfolios generally reflect the investment recommendations and decisions contemporaneously being made by us for any comparable discretionary accounts we manage. There could be some differences in the Model Portfolios we transmit to wrap-fee sponsors and holdings in our discretionary accounts based upon differences in the Strategies, authorized local markets, account size, tax considerations, cash positions and specific account guideline restrictions.

If we manage discretionary accounts comparable to a Model Portfolio, there will be overlap in the holdings. Because of the overlap, recommended changes to the Model Portfolios will generally be made by us to comparable discretionary accounts. The transmission of similar orders by wrap-fee sponsors before we have implemented the changes in our discretionary accounts could compete with our orders and potentially harm our discretionary accounts. To avoid such harm, we generally transmit orders to our Trading Group for our discretionary accounts before we transmit changes to the Model Portfolio to the wrap-fee sponsor. We also may transmit changes to the Model Portfolios after trades placed by us for our discretionary accounts have been executed if we determine it is necessary to prevent harm to our discretionary accounts. Under either scenario, we will place orders and may commence or complete trading for our discretionary accounts before a Sponsor has received or had the opportunity to evaluate and act on our recommendations. Trades placed by a wrap-fee sponsor for wrap-fee client accounts may be negatively influenced by our prior orders or trades, particularly for large orders or where the securities are thinly traded, and ordinary market fluctuation. Accordingly, wrap-fee clients may receive substantially different execution prices and experience different performance than our discretionary accounts resulting from later placement of trades and the fact that the sponsor may use a different executing broker.

## F. Client Guidelines and Restrictions

Every account we manage has written account guidelines that we seek to follow in managing the account. Our investment teams also have preferred investment guidelines for each Strategy. We will negotiate with clients and customize investment guidelines, including accepting additional or different limitations if we believe we can effectively manage the account. A common investment restriction that may vary by client is the maximum percentage permitted in emerging markets. Our investment teams create and maintain model portfolios based on their preferred benchmarks and guidelines. Investment guidelines that differ significantly from our preferred guidelines may result in exclusions or variances in holdings from the team's model portfolio that may take additional time for the team to determine alternative holdings or weights for more restricted accounts. Trades to implement changes to accounts managed in line with a Strategy's model portfolio may be placed earlier than trades for more restricted accounts. As a result, trades for accounts with materially different restrictions could experience different execution prices and different performance than less restricted accounts based on the exclusions and time delay in trade placement. Such restricted accounts also may be placed in a separate performance composite from less restricted accounts in a similar Strategy.

## II. Fees and Compensation

### A. Standard Fee Schedule and Account Minimums for Separate Accounts

Our standard fee schedules for separate accounts for our current strategies are listed below.

#### Standard Fee Schedule

Strategy	Assets (in US dollars)	Fees
International Value Equity International Growth Equity International Core Equity	First \$50 million Next \$100 million Over \$150 million	0.75% 0.50% 0.40%
Emerging Markets Equity	First \$50 million Next \$100 million Over \$150 million	1.00% 0.85% 0.75%
Focused Global Value Equity	All Assets	0.75%
Focused International Growth Equity Focused International Value Equity Focused International Equity	All Assets	0.75%

Our fee is usually based on an annual percentage of net assets under management, although we may negotiate a fee based in whole or part on the performance of an account. International Strategies require a certain minimum size to make trading in local shares economically worthwhile in certain non-US markets. For this reason, we generally require a minimum account size of \$40 million for separate accounts for all of our offered Strategies, although Strategies containing only ADRs or GDRs may be economical to manage at a lower minimum size.

We may set lower or higher fees or account minimums within our sole discretion based on a number of factors, including the investment mandate, account restrictions and guidelines, reporting and servicing requirements, and our current and anticipated overall relationship with a particular client. We also reserve the right to aggregate the assets in a client's related accounts to calculate fees and applicable breakpoints, or

to waive all or a portion of our fees. For all of these reasons, clients may pay higher or lower fees than other clients invested in a comparable Strategy.

All clients will incur trading costs resulting from trade executions in the form of commissions or markups charged by brokers. Please see Section IX of this brochure for a description of our trading practices. Trading costs are included in the cost basis of the securities and will impact the capital loss or gain on securities when they are sold, and the performance of an account. Separate accounts also could incur other trading costs to trade in local shares in certain markets, including ticket charges. Clients also will incur custodial costs to hire a custodian to hold the assets of the account. Custodial costs for local shares are generally higher than the custodial costs for US securities, and could include costs to register for trading in, and to hire local sub-custodians and

other agents, in some local markets. Clients also may incur costs for administrative, accounting and tax-related services. We may invest client assets in shares of investment companies, including mutual funds and exchange-traded funds (ETFs) to equitize cash, or seek exposure to a market or region. Assets invested in such funds will be subject to additional investment advisory and other fees and expenses charged by the fund and ultimately borne by shareholders of the fund. These additional fees and expenses are described in each fund's prospectus and may include administration, custody, distribution, shareholder servicing, and transfer agency fees.

In connection with other services that clients may need, we do not:

- provide any service to clients other than advisory services;
- recommend service providers to clients, or supervise or oversee any such service provider chosen by a client; or



- receive any fee other than our advisory fee for managing any account, or any portion of any fee charged to clients by other service providers. However, as described in Section IX of this brochure, we do obtain investment research from certain brokers who execute some trades placed by us for client accounts.

## B. Fees and Minimums for Other Types of Accounts

We do not have a standard fee schedule for subadvisory accounts for funds or for wrap-fee programs. Fees for these types of accounts are individually negotiated based on the Strategy, size of the account, and the servicing and reporting needs. The advisory or subadvisory fees we charge for such clients may be significantly lower than the advisory or subadvisory fee that we charge for a separate account client based on the larger size and reduced reporting and servicing requirements of such accounts.

We advise or sub-advise some pooled investment funds, including US mutual funds, funds organized overseas for sale outside of the United States, and certain collective investment funds operated by an unaffiliated trust company in which only qualified U.S. retirement plans are eligible participants, and we refer to all of these types of pooled investment vehicles as “funds.” An investment in such a fund may be an option for prospective clients who cannot meet our minimum requirement or who do not want to establish a separate account and establish direct relationships with other service providers. A fund’s net fees will generally be higher than the advisory or subadvisory fee that we charge for a separate account for a similar Strategy, but generally include fees for other services, including custody services. We do not make recommendations for any client to invest in any such fund, although we may inform prospective clients of their existence when discussing our advisory services. Certain affiliated companies may receive advisory, administrative or other fees in connection with sponsoring or managing

any affiliated fund that we advise. A prospective investor should review a fund’s current prospectus or other written information regarding a fund before making a decision to invest in it.

## C. Billing and Payment of Fees

We prefer to be paid quarterly in arrears. We may accept prepayment of fees or billing in advance but only if a client insists on prepayment. A client prepaying fees would be entitled to a refund of a portion of any fees paid in advance prorated based on the number of days in the quarter after termination of our services.

Some clients may choose to pay us directly based on valuation of their account at quarter end as determined by the client’s pricing agent (generally the client’s custodian). If a client wishes us to bill them, we must value the assets in the account. Clients who want to pay us based on the value of their account calculated by reference to their pricing agent’s valuation policies can either pay us directly, or arrange for us to receive their pricing agent’s quarter-end valuation of their account. If we do not receive such information from a client or its custodian, we would have to bill based on the account value using our valuation methodologies and procedures that could be different from the methodologies used by the client’s official pricing agent.

We do not directly debit any client’s account for advisory fees owed. We directly bill one existing client’s custodian for our advisory fees. Because we believe that it is important for clients to review and approve bills prior to payment, we will not agree to bill a new client’s custodian directly for our services.

## D. Termination of our Services

Advisory contracts may be terminated on written notice to us without any penalty. New contracts may be terminated within five days of receipt of this brochure without penalty.

### III. Performance Based Fees and Side-by-Side Management

We may negotiate or agree to performance fees for certain client accounts under different circumstances. Permissible performance fees vary depending on the type of client. For example, mutual or closed-end funds organized in the US may only pay a fulcrum fee which will increase or decrease the base advisory fee paid depending on the performance of the portion of the fund managed by an investment adviser or sub-adviser compared to an appropriate benchmark. For other types of accounts, a permissible performance fee does not necessarily have to be structured as a fulcrum fee. Any performance fee charged, however, must comply with a specific US SEC rule. Performance fees could reward the firm, and indirectly members of the investment team, for strong performance in those portfolios and could provide a financial incentive to favor those accounts over other accounts without a performance fee. For example, there could be an incentive for the firm to allocate more lucrative investment opportunities, or structure trading policies, to favor accounts with performance fees.

Currently, we have a performance fee with one US mutual fund client and one institutional separate account. No individual employee has a performance fee associated with any one account. As described in greater detail in Section XVIII of this brochure, our investment professionals are compensated, in large part, from bonus pools based on a percentage of the net profits generated by each team, and a bonus pool based on a percentage of the net profits of the firm. We believe that our compensation practices reduce the incentive to favor one account over another account.

We also have developed different policies and procedures to address and detect improper favoring of one account over another. For example, our trading policies, described in Section IX of this brochure, are designed to

ensure that client accounts are treated fairly in the allocation of investment opportunities. Our team investment process also ensures that client accounts are based on model portfolios subject to variance based on a client's specific guideline restrictions or unique circumstances. Finally, our processes for review of client accounts are designed to try to identify material performance dispersion among comparable accounts over time. Material dispersion of an account would be reviewed to determine whether it was due to unique circumstances or other causes, including potential favoritism of a particular account over time.

### IV. Types of Clients

We currently provide or offer our investment advisory services only to the following types of institutional clients:

- US investment companies, including mutual funds
- Funds organized, and offered for sale, outside of the United States
- Pension funds, retirement and other employee benefit plans
- Endowments and foundations
- Public funds
- Collective funds maintained by an unaffiliated US trust company or bank in which qualified US qualified retirement plans are the only eligible participants
- Unaffiliated private funds sold in the US
- Sponsors or investment advisers to wrap-fee programs
- Trusts or companies

We do not sponsor any type of private fund, including hedge, private equity or venture capital funds, and currently only subadvise a small number of unaffiliated private funds sold in the United States. We also do not have any individual clients or offer services directly to individual investors.

## V. Methods of Analysis, Investment Strategies and Risk of Loss

We are committed to team-based portfolio management based on fundamental bottom-up research. We have two distinct investment teams based on investment style – our Growth Team and our Value Team. The two Teams operate independently with different Chief Investment Officers (“CIO” or “CIOs” if referred to collectively) research analysts and processes. Thus, the Teams may have different opinions regarding a particular country, sector, region, industry, or company.

Each Team, however, has a centralized investment approach that builds a model portfolio to its preferred benchmark (identified in the Strategy description) and guidelines based on the outcome of its research and analysis with no additional restrictions, and then tailors its investment decisions to accounts managed to those guidelines. Adjustments to this model portfolio are then made based on different benchmarks, or to address more restrictive guidelines, and then tailored to accounts managed to those more restricted guidelines.

Before describing our offered Strategies, we discuss our two Team’s general methods of analysis and the general risks that can arise from our offered Strategies. A prospective client should review the methods of analysis used by the Team that manages the Strategy under consideration, and the general risk section before reviewing the description of the particular Strategy under consideration. Our investment Strategies are described, including a list of the specific risks, in descending order from the most diversified approaches to the more focused ones that present greater opportunities for reward and corresponding greater risk.

## A. Our Methods of Analysis

---

### 1. Our Growth Team

Our Growth Team operates principally out of our offices in Ontario, Canada. The Chief Investment Officer, or CIO, for our Growth Team is Thomas Tibbles, who also is our Managing Director – Canada. Growth Team members are assigned global industry sector research responsibilities to ensure that knowledge and expertise of industry specific issues are developed and utilized when analyzing companies in that sector in different regions. Ideas making their way into the portfolio are the result of the Team’s scrutiny and the individual analyst’s fundamental company research. An analyst with specific sector expertise is responsible for detailed fundamental due diligence, company modeling and making individual buy and sell decisions but only after a vetting process involving the entire Growth Team. Investment strategy and asset allocation are the responsibility of the CIO, Mr. Tibbles, who has ultimate decision making authority and accountability. He is backed up by Barry Lockhart, who is our Deputy Managing Director – Canada.

The Team starts with a universe of thousands of international companies. The Growth Team first narrows this universe through a series of quantitative and qualitative screens that identify those companies that demonstrate superior profitability, strong secular growth, a sustainable competitive advantage and a strong capital structure. These screens are intended to identify those companies that have consistently been industry and market leaders, or have the potential and ability to become such leaders. The result is the Growth Team’s “STAR List” of approximately 500-800 companies.

Companies on the “STAR List” are rated based on their prospective growth, relative valuation and relative price momentum. The Team narrows this list to the top 80-100 stocks for further consideration. The Team spends the majority of its time on building consistent

financial models and forecasts for these potential portfolio candidates. Through rigorous fundamental analysis of each company, the Team determines whether or not the stock exhibits attractive fundamentals - otherwise the company is dropped from further consideration. Ultimately, the Team narrows the portfolio candidate list to generally 60-70 stocks which it uses to build its portfolio. Factors considered by the Team, among others, include business prospects, valuation, relative performance, and expected return. Buy and sell decisions are made by the Team's analysts based on a buy profile determined by reference to the Team's Buy Profile of six investment decision criteria, including earnings growth, revisions, valuation, momentum, price-to-earnings growth ratio and upside potential.

Once individual stocks are selected, they are categorized in the Team's proprietary Portfolio Matrix framework where geographic and sector exposures are determined. Adjustments in the weights of individual securities may, in part, reflect top-down views when the Team believes it is important to do so. The Team's proprietary matrix system allows them to maintain clarity, precision and consistency, and provides them with a unique ability to monitor the model portfolio's weightings across economic sectors and regions.

In analyzing securities, the Growth Team uses proprietary criteria and models, as well as financial information obtained from regulatory filings and other public sources including articles in the financial press and company press releases. The Team does its own earnings and profitability modeling but may also use or rely upon financial projections developed by third parties and research developed by brokers or other financial firms. This quantitative information is supplemented by qualitative information obtained from meetings with company officials, research trips to a company or companies in a particular region or sector, attendance at conferences generally sponsored by brokers, the Internet and other sources to evaluate an industry, sector or specific company.

Information from these data sources is synthesized and analyzed using the Team's proprietary investment approach.

## 2. Our Value Team

Our Value Team is headquartered in our offices in Fort Lauderdale, and has investment management and research professionals in Hong Kong, India and Russia. The Value Team has co-CIOs, Ronald W. Holt, our President and CEO, and Laretta (Retz) Reeves. The Value Team operates as a team with Mr. Holt having final authority on the composition of the value portfolios, and Ms. Reeves serving as his backup. All Value Team analysts are assigned global industry and country responsibilities to ensure that knowledge of industries and regions are developed to assist in analyzing particular companies.

Each analyst is responsible for identifying potential investment candidates from their coverage areas. Potential investments are uncovered through various methods, including screening of global sectors, industries or countries for securities trading at a discount to future earnings, cash flow and/or net asset value, interviews of company management, industry conferences and third-party research. The initial idea generation process generally results in a list of about 400-500 potentially undervalued securities. The analysts then conduct bottom-up fundamental analysis of the security and company. Their analysis is based on financial reports and information, profitability modeling, and information derived and synthesized from public sources, third party research, industry conferences, and meetings or calls with company management. The Value Team then discusses the investment case and attendant risks of each security before it can be approved for inclusion on the Value List. Securities added to the Value List generally have a buy and sell target that are periodically reviewed and revised by the Value Team. The Value Team generally meets at least weekly to review companies, securities and consider



changes to the investment thesis of a security, and additions and deletions to the Value List.

In analyzing securities, the Value Team uses proprietary value criteria and models, as well as financial information obtained from regulatory filings and other public sources including articles in the financial press and company press releases. The Team does its own earnings and profitability modeling but may also use or rely upon financial projections developed by third parties and research developed by brokers or other financial firms. This information is supplemented by information obtained from meetings with company officials, research trips to a company or companies in a particular region or sector, attendance at conferences generally sponsored by brokers, the Internet and other sources to evaluate an industry, sector or specific company. Information from these data sources is synthesized and analyzed using a consistent decision framework with the predominant focus on various fundamental factors and valuation metrics. Generally, the time horizon for the Team's analysis is over a 5-year economic cycle. The Team uses a number of key valuation metrics, including the relationship of the security price to the long-term earnings opportunity and other price-to-earnings ratios, price-to-book value and various cash flow multiples, in determining whether a company's shares are undervalued.

Portfolios are constructed by the Value Portfolio Management Team, which draws heavily on the bottom-up process. Stocks with the most attractive risk/reward profile tend to drive country and industry allocation and diversification of the portfolios. Macro views on industries and regions are captured in the Team's company specific work as positive or negative factors and are modeled into projections for the company's prospects, including future earnings and market position. The Portfolio Management Team's view of the macroeconomic situation also will be reflected in the sector and geographic weightings of its model portfolio.

The Value Portfolio Management Team generally first builds a model portfolio based on its preferred benchmark (MSCI ACWI ex USA) with no additional restrictions. Adjustments to this model portfolio are then made based on different benchmarks, or to address more restrictive guidelines. Different sub-groups that manage particular Strategies (such as Emerging Markets) also meet separately on a weekly basis, or as necessary, to discuss changes to the model portfolios for these more specialized strategies. Generally, orders to implement changes to comparable accounts in the same Strategy are placed with our trading desk at the same time. Orders for the same security for other Strategies will be placed depending on when the Portfolio Management Team meets to discuss and implement changes to accounts in that Strategy.

## **B. Description of Principal Risks of our Strategies**

---

All of our Strategies invest in equity securities of companies organized, or with substantial operations or revenue generated from, outside of the United States. The primary risk of any equity investment strategy is stock market risk or the chance that stock market prices will decline. Thus, unlike bank deposits in the United States that are guaranteed or insured by the FDIC, losing money is a risk of investing in any equity security, including our Strategies. We generally do not try to mitigate equity risk by employing defensive strategies if we believe that the markets will decline, except we may choose to do so to a limited extent in our focused Strategies. Thus, an investment in one of our equity strategies could lose money over the short or even long term. Also, prices of securities held in a client account, and the aggregate value of a client's account, could fluctuate within a wide range over the both the short and long term.

Our Strategies may include exposure to one or more of the following principal risks:

**Active Manager Risk** – Our Strategies are actively managed using different investment techniques. As with any active management style, there is no guarantee that the investment techniques will produce the desired result. There is also the chance that stock selection or investment decisions will cause an account to underperform its benchmark or similar strategies offered by other investment advisers. Less diversified Strategies or ones that use derivative instruments or tactical defensive strategies involve increased active manager risk as there is no guarantee that such strategies will be used at all or at the right time.

**Stock market risk** – All equity strategies are subject to the risk associated with investments in the stock market, and price fluctuations. Markets tend to move in cycles with periods of rising prices (bull markets) and periods of declining prices (bear markets). All investments in equity securities are subject to the risk of loss.

**Country/Regional Risk** – Investments in securities of international companies are subject to the risk that world events, including political or economic upheaval or unrest, natural disasters and government action or inaction could adversely impact the value of the securities of companies in a particular region or country. This risk is heightened with investments in emerging markets.

**International Risk** – US investors who invest in international securities could encounter risks based on the different regulatory structure and practices of non-US markets, financial intermediaries and non-US companies. For example, some non-US markets have different accounting rules that could result in less transparency that could make it difficult to fully analyze a company's financial position. Also, there could be significantly less liquidity in some non-US markets, particularly emerging markets that could negatively impact our ability to buy or sell certain securities in a timely fashion. Finally, there may be different or less government supervision and regulation over international stock exchanges, markets, brokers

and companies than exists in the US. These risks are generally heightened with investments in emerging markets.

**Currency risk** – Any investment in international securities involves the chance that the value of the investment measured in US dollars will decline because of unfavorable currency exchange rates. Exchange rates are influenced by macroeconomic circumstances of a particular country or region unrelated to a specific company's performance. Investments in ADRs and GDRs will reduce currency risk only during the time period between trade and settlement date. The value of a security trading in ADR or GDR form, as opposed to local shares, still has currency risk as the value of the company's revenues and profits will be impacted by the current exchange rate between its local currency and the US dollar. Currency risk is generally higher with investments in emerging markets as compared to investments in more developed economies.

**Emerging Markets Risk** – Investments in emerging markets countries raise heightened international, country/region and currency risk. Generally speaking, emerging markets countries have less developed economies than the developed world and higher actual or potential growth rates than developed countries. The society and economies of these countries are frequently characterized by rapid growth and change, and some dependence on exports of goods, products or services. Their political system is likely to be, or appear to be, in greater flux and some may play a more active role in managing their economies. All of these factors can result in emerging markets being more volatile and susceptible to world events and other factors not directly related to a specific company's performance.

**Style Risk** – Generally growth and value investing are different investment styles that principally rely on different factors when selecting securities. For example, growth styles tend to focus on certain growth measures, such as growth in earnings, revenue, cash flow, and



relative growth, the price momentum of a security, as well as valuation. In contrast, value styles focus primarily on companies whose prices are below average compared to certain objective financial measures of the company rather than momentum or other growth metrics. Growth and value styles may produce similar investment results over the long term but each style has periods when it outperforms and underperforms the other.

**Non-Diversification Risk** – A strategy that may focus its investments in a smaller number of issuers, sectors, industries, or countries will be more susceptible to market and other conditions affecting the area of concentration and more volatile than a strategy that is more broadly diversified.

**Derivative Risk** – Derivatives may be used to gain synthetic exposures to countries, companies or macro events, or may be used to hedge certain risks, such as using currency forwards. Risks associated with derivatives include the risk that the derivative or strategy is not well correlated to the exposure that the manager is seeking to gain or hedge. Derivative investments may not have the intended effect and may result in losses or missed opportunities. There is no guarantee that derivatives will be used at all or at the right time, or that they will work if used, and their use could cause lower returns or losses in an account.

**Small or Mid Company Risk** – There is no recognized definition of small- or mid-cap stocks. Small- or mid-sized companies generally have fewer products, customers, and less financial resources than larger companies. These characteristics may make securities of small- and mid-cap companies more volatile and sensitive to changing economic conditions than securities of large-cap companies. Also, small- and mid-cap companies typically pay less or no dividend income as compared with large-cap companies.

## C. Our Investment Strategies/ Methods of Analysis and Primary Risks

---

### 1. International Growth Strategy

This Strategy seeks to outperform the MSCI ACWI ex USA benchmark. This Strategy invests principally in equity securities of companies organized, or with significant operations, outside of the United States (international securities), including emerging markets. Securities selected are generally those of large-cap companies with a market capitalization of over \$1 billion. Permissible investments include:

- Equity securities (including securities convertible into equity) purchased in a local market outside of the US and denominated in the local currency.
- ADRs traded on US exchanges or markets and denominated in US dollars.
- GDRs traded on an exchange or market outside of the US and denominated in the currency of the market in which they trade.
- ETFs primarily to equitize cash and/or to handle cash inflows or outflows.
- Cash and cash equivalents are generally less than 5% of the portfolio.

The Strategy's major regions are Developed Europe, Other Developed and Emerging Markets. This Strategy controls basis risk by centering its model portfolio over its benchmark (MSCI ACWI ex USA) with modest regional and sector tilts from the benchmark weight. Thus, exposure to any region, including emerging markets, will fluctuate depending on the region's weight in the benchmark, and the CIO's determination whether and how much to deviate the portfolio from the benchmark weight. The Strategy typically results in a portfolio that is diversified among companies, regions and sectors, with no single position usually exceeding 3% of the portfolio. This Strategy results in a portfolio that typically holds 60-70 securities. Finally, the Team does not use

derivatives or any other strategy to actively hedge currency risk, and does not employ defensive investment strategies in declining markets.

The principal risks of this Strategy are:

- Active Manager Risk
- Stock Market Risk
- Country/Regional Risk
- International Risk
- Currency Risk
- Emerging Market Risk
- Growth Style Risk

## 2. International Value Strategy

This Strategy seeks to outperform the MSCI ACWI ex USA benchmark. This Strategy invests principally in equity securities of international companies, including emerging markets.

Securities selected are generally those of large-cap companies with a market capitalization of over \$1 billion. Permissible investments include:

- Equity securities (including securities convertible into equity) purchased in a local market outside of the US and denominated in the local currency.
- ADRs traded on US exchanges or markets and denominated in US dollars.
- GDRs traded on an exchange or market outside of the US and denominated in the currency of the exchange or market on which they trade.
- ETFs primarily to equitize cash and/or to handle cash inflows or outflows.
- Cash and cash equivalents are generally less than 5% of the portfolio.

The Strategy's major regions are Japan, Europe and the Rest of World. The Strategy does not have static percentage ceilings on specific sectors or regions. Rather, stock selection is based on identification of securities meeting the Team's value discipline using bottom-up fundamental research, and stock selection primarily drives sector and regional allocations.

Thus, exposure to any sector or region will fluctuate depending on the conclusions reached during the course of the Team's fundamental research. However, regional allocation has generally ranged between +/-30% of the index weight, and sector allocation has generally ranged between 0.5x – 2x of the index weight. Emerging markets exposure is limited to the greater of 25% of the portfolio or +50% of its relative index weight. The Team's value discipline has typically resulted in a portfolio diversified among companies, regions and sectors, with no single position usually exceeding 2% of the portfolio at the time of purchase. The Strategy results in a portfolio that typically holds 75-85 securities. Finally, the Team does not use derivatives or any other strategy to actively hedge or mitigate currency risk, and does not employ defensive investment strategies during declining markets.

The principal risks of this Strategy are:

- Active Manager Risk
- Stock Market Risk
- Country/Regional Risk
- International Risk
- Currency Risk
- Emerging Market Risk
- Value Style Risk

## 3. International Core Strategy

This Strategy seeks to offer a more consistent risk/return profile relative to its preferred benchmark (MSCI ACWI ex USA) by minimizing style bias. The Strategy is a 50/50% blend of our International Growth and International Value Strategies. The Strategy seeks to add value through stock selection, and does not try to time the market by changing the allocation percentage to each investment style. To reduce style bias, accounts in the Strategy are rebalanced to a 50/50% allocation semi-annually or when cash flows permit.

This Strategy invests in the same securities and employs the same principal strategies as our

International Growth and International Value Strategies. The Strategy's major regions are Europe, Japan and the Rest of World. There are no specific percentage limitations on sector or country weighting as such exposure is the residual of the bottom-up stock selection process. Allocations to the economic sectors and regions have typically ranged between +/- 5% to +/-10% of the index weighting, although these ranges may change over time depending on the construction of the separate value and growth sleeves. By combining the two constituent styles, the Strategy typically results in a portfolio that is diversified among companies, regions and sectors with no single position usually exceeding 5% of the portfolio at the time of purchase. The Strategy results in a portfolio that typically holds 120-140 securities. Finally, the Teams do not use derivatives or any other strategy to actively hedge currency risk, and do not employ defensive investment strategies during declining markets.

This Strategy has the same principal risks as the International Growth and International Value Strategies except there is limited style risk. These principal risks are:

- Active Manager Risk
- Stock Market Risk
- Country/Regional Risk
- International Risk
- Currency Risk
- Emerging Market Risk

#### 4. Emerging Markets Strategy

This Strategy seeks to outperform the MSCI Emerging Markets Index. The Strategy is managed in a value style by members of our Value Team, including our President and co-CIO. This Strategy invests principally in equity securities of companies organized, or with significant operations, in emerging markets as defined by the Index ("emerging markets company or companies"), and can include

investments in small- and mid-cap companies. Permissible investments include:

- Equity securities (including securities convertible into equity) of companies organized in or with substantial revenue derived from emerging markets and denominated in the local currency.
- ADRs of companies in emerging markets countries traded on US exchanges or markets and denominated in US dollars.
- GDRs of emerging markets companies traded on an exchange or market outside of the US and denominated in the currency of the exchange or market on which they trade.
- Securities of small- and mid-cap emerging markets companies.
- ETFs primarily to equitize cash and/or to handle cash inflows or outflows.
- Cash and cash equivalents are generally less than 5% of the portfolio.

The Strategy's major regions are Asia, Latin America and EMEA (Europe, Middle East and Africa). This Strategy does not have static percentage ceilings on specific sectors or regions. Rather, stock selection based on bottom-up fundamental research to identify securities meeting the Value Team's value discipline is meant to drive sector and regional allocations and portfolio diversification. The Team's view of the macroeconomic situation tends to be reflected in the sector and geographic weightings in the portfolio. Thus, exposure to any sector or region will fluctuate depending on the outcome of fundamental research. However, regional allocation has generally ranged between 0.5 – 1.5x the index weight of the 8 major countries in the index, and sector allocation between 0 - 2x the index weight, although such ranges may change over time. The Team's value discipline has generally resulted in a portfolio diversified among companies, sectors and regions with no single holding usually exceeding 5% of the portfolio at the time of purchase. The Strategy results in a portfolio that typically holds 75-90 securities.

Finally, the Team does not use derivatives or any other strategy to actively hedge or mitigate currency risk, and does not employ defensive investment strategies during declining markets.

Portfolios are constructed from the Value List utilizing a bottom-up process. The Team meets separately each week to discuss the model portfolio and any changes to it. The principal risks of this Strategy are:

- Active Manager Risk
- Stock Market Risk
- Currency Risk
- Emerging Market Risk
- Country/Regional Risk
- International Risk
- Small- and Mid-Cap Risk
- Value Style Risk

## 5. Focused Global Value Strategy

Our Focused Global Value Strategy seeks to outperform the MSCI All World benchmark. The Strategy is managed by members of our Value Team. This Strategy invests in securities of companies organized, or having significant operations, in the United States, as well as international and emerging markets companies. Securities selected are generally those of companies with a market capitalization of over \$1 billion. Securities purchased are the highest conviction ideas generated by the Team's research efforts. Permissible investments include:

- Equity securities (including securities convertible into equity) of countries organized or with significant operations located anywhere in the world purchased in local markets, including US markets, and denominated in the local currency of the market in which they are bought.
- ADRs traded on US exchanges or markets and denominated in US dollars.
- GDRs traded on an exchange or market outside of the US and denominated in the

currency of the exchange or market on which they trade.

- ETFs primarily to equitize cash and/or to handle cash inflows or outflows.
- Derivatives to hedge currency exposure or to gain exposure to certain regions, industries or sectors.
- Cash and cash equivalents are generally less than 5% of the portfolio, although the Strategy can hold higher cash positions during transitional times (i.e., with cash inflows or outflows or after it sells a position).

The Strategy does not have any percentage limits on specific sectors, countries or regions. Rather, stock selection based on bottom-up fundamental research is meant to drive sector, country and regional allocations. Unlike the diversified International Value Strategy, this Strategy is not designed to be diversified across companies, sectors, countries, sectors or regions unless bottom-up stock selection results in such diversification. The Strategy results in a portfolio that typically holds 20-30 securities. The maximum position size is also larger and can reach 8% of the portfolio at the time of purchase.

Portfolios are constructed from the Value List utilizing a bottom-up process. The Focused Global Value Team meets as needed to discuss the model portfolio and any changes to it.

This Strategy has the same principal risks as the International Value Strategy, including:

- Active Manager Risk
- Stock Market Risk
- Country/Regional Risk
- International Risk
- Currency Risk
- Emerging Market Risk
- Value Style Risk

This Strategy also has two additional risks:

- Non-Diversification Risk
- Derivative Risk

## 6. Focused International Growth Strategy

This Strategy seeks to outperform the MSCI ACWI ex USA by pursuing an unconstrained approach as compared to our diversified International Growth Strategy. The Strategy incorporates the best ideas of our International Growth Team. Please see page 11 of this brochure for the discussion of our International Growth Strategy, including permissible investments.

This Strategy differs from our International Growth Strategy in the following ways:

- There are no percentage limitations on sector, country or regions and the Growth Team will not consider any diversification goals related to the benchmark composition. Rather, the “highest conviction ideas” generated from the research of our International Growth Team will determine portfolio composition.
- Portfolios in this Strategy will typically hold 20-30 securities which results in larger percentage holdings.
- The Growth Team has the ability to tactically hold up to 30% cash for any reason.
- The Growth Team has the ability to use hedging or cross-hedging strategies for currency management when, in their judgment, it is appropriate. Currency forwards may be used for this purpose.

This Strategy has the same principal risks as the International Growth Strategy:

- Active Manager Risk
- Stock Market Risk
- Country/Regional Risk
- International Risk
- Currency Risk
- Emerging Market Risk
- Growth Style Risk

The Strategy has two additional risks:

- Non-Diversification Risk
- Derivative Risk

## 7. Focused International Value Strategy

This Strategy seeks to outperform the MSCI ACWI ex USA benchmark by pursuing an unconstrained approach as compared to our diversified International Value Strategy. This Strategy incorporates the best ideas of our International Value Team. Please see page 12 of this brochure for the discussion of our International Value Strategy, including permissible investments.

This Strategy differs from our International Value Strategy in the following ways:

- There are no percentage limitations on sector, country or regions and the Value Team will not consider any diversification goals related to the benchmark composition. Rather, the “highest conviction ideas” generated from the research of our International Value Team will determine portfolio composition.
- Portfolios in this Strategy will typically hold 20-30 securities which results in larger percentage holdings.
- The Value Team has the ability to tactically hold up to 30% cash for any reason.
- The Value Team has the ability to use hedging or cross-hedging strategies for currency management when, in their judgment, it is appropriate. Currency forwards may be used for this purpose.

This Strategy differs from the Focused Global Value Strategy in that it does not invest in US companies, and has the additional flexibility to make tactical cash investments up to 30% of the portfolio.

This Strategy has the same principal risks as the International Value Strategy:

- Active Manager Risk
- Stock Market Risk
- Country/Regional Risk
- International Risk
- Currency Risk
- Emerging Market Risk
- Value Style Risk



The Strategy has two additional risks:

- Non-Diversification Risk
- Derivative Risk

## 8. Focused International Equity Strategy

This Strategy seeks to outperform the MSCI ACWI ex USA benchmark by pursuing an unconstrained approach as compared to our diversified International Core Strategy. This Strategy incorporates the best ideas of our entire International Equity Team. This portfolio is overseen by the CIOs of both the Growth and Value Teams. To minimize style bias, this Strategy is a 50/50% blend of our Focused International Growth and Focused International Value Strategies. The Strategy seeks to add value through stock selection and not by trying to time the market by altering the allocation percentage to each investment style. Accounts will be rebalanced between the two styles annually, and if the weighting becomes 60%/40%. Please see page 12 of this brochure for the discussion of our International Core Strategy, including permissible investments.

This Strategy differs from our International Core Strategy in the following ways:

- There are no percentage limitations on sector, country or regions and the International Equity Team will not consider any diversification goals related to the benchmark composition. Rather, the “highest conviction ideas” generated from the research of both our International Growth and International Value Teams will determine portfolio composition.
- Portfolios in this Strategy will typically hold 30-60 securities which results in larger percentage holdings.
- The International Equity Team has the ability to tactically hold up to 30% cash for any reason.
- The International Equity Team has the ability to use hedging or cross-hedging strategies for currency management when, in their

judgment, it is appropriate. Currency forwards may be used for this purpose.

This Strategy has the same principal risks as the International Core Strategy, including:

- Active Manager Risk
- Stock Market Risk
- Country/Regional Risk
- International Risk
- Emerging Market Risk
- Currency Risk

The Strategy has two additional risks:

- Non-Diversification Risk
- Derivative Risk

## VI. Disciplinary Information

Neither HGI nor any of its employees has ever been:

- subject to any material disciplinary action by any regulatory authority;
- the subject of any criminal or civil action alleging fraud, dishonesty or breach of any investment-related statute or regulation;
- found by any regulatory body of any material violation of any investment-related law resulting in a substantial fine, suspension, expulsion or significant limitations being imposed on our ability to provide investment advice to clients.

Also, there has been no material disciplinary action taken against any of our affiliated companies that have impacted our operations or clients.



## VII. Other Financial Industry Activities and Affiliations

Our sole business is to provide investment advisory services to our clients. To further this end, we are licensed to provide investment advisory services in the United States and certain provinces in Canada. We also have a subsidiary organized under the laws of Hong Kong, entitled, Hansberger Global Investors (HK) Limited ("HGI-HK"), which is registered as an investment adviser with the Hong Kong Securities and Futures Commission. HGI-HK may act as an investment adviser to clients located or organized in Asia. Currently, HGI-HK employs research personnel who are part of our Value Team, and provides us with research and trading operations for Asian securities, and other non-investment-related services. Personnel in our Hong Kong office also back up our main trading operations in the United States, and may place and monitor trades outside of Asia when our main trading group is closed.

As an indirect subsidiary of NGAM and Natixis, we have numerous affiliated companies in the asset management, distribution, and financial services industry operating globally. We operate our business independently of our affiliates. However, we do have some relationships with affiliated companies that are important to our business.

- We act as the investment adviser for certain affiliated funds offered and sold within the United States, including the Hansberger International Series ("HIS"), which consists of three open-end investment companies (mutual funds), ; namely the Emerging Markets Fund, International Growth and International Value Fund, and another mutual fund, the Hansberger International Fund, that is a series of the Natixis Funds I. Some of our officers also serve as officers of the HIS Funds and may perform some services for the HIS Funds. We do not serve as the distributor or administrator of the HIS Funds

or any other fund. We also act as the subadviser to certain other affiliated funds organized and sold exclusively outside of the United States. We may in the future enter into other advisory or subadvisory arrangements with affiliates.

- We also have been engaged as an investment subadviser by an affiliated company, NGAM Advisors, L.P., to provide and implement various recommendations to assist it in managing certain separate accounts in "wrap fee" programs sponsored by unaffiliated financial firms. Our provision of advisory and subadvisory services to different wrap-fee programs, including the relationship with our affiliate, is an important component of our business.
- Our indirect parent company, Natixis Global Asset Management, L.P., or another affiliate also could provide seed capital to us to incubate a new investment strategy or product. We may also work with another affiliated company to jointly manage a new style or product.
- We also may enter into cross-marketing arrangements and service agreements with certain affiliates, and have entered into solicitation arrangements with two affiliated companies for referrals of clients (see Section XI of this brochure for additional information about solicitation arrangements).

Finally, given that affiliated companies are equipped to provide a number of services and investment products to our clients, subject to applicable law, our clients may engage an affiliated company to provide any number of such services, including advisory, custodial or banking services, or may invest in the investment products provided or sponsored by one of our affiliates. As stated earlier, however, we do not recommend any service provider to our clients, and do not share in the revenue earned by any other service provider for our clients, including any fees earned by our affiliates.

Our relationship with our affiliates could give rise to potential conflicts of interest or otherwise have an adverse effect on our clients. For example, when acting in a commercial capacity, an affiliated company may take commercial steps in its own interests, which may be adverse to our or our client's interests. Given our relationship with our affiliates, HGI could have an incentive to favor the accounts we manage for them over other accounts. These conflicts are described in greater detail in the next section of this brochure, as well as our methods to address such conflicts.

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

### **A. Our Ethics Policies**

HGI has adopted different policies and procedures governing the firm's and our employees' conduct, including a Code of Ethics. Our Code applies to all of our employees worldwide. The Code covers personal trading by employees and prohibitions and procedures that are designed to prevent employees' personal trading that create or raise the appearance of a conflict of interest with our clients' or firm's interest, or that violate laws regarding insider trading. We also have adopted business policies governing gifts and entertainment and political contributions.

Compliance with our Code and all business policies is a condition of employment for all employees. Our Code and fiduciary-related business policies, including those related to gifts, entertainment and political contributions are administered by our Ethics Committee, which is chaired by our President and CEO. Violations of the policies are reported to our Ethics Committee, who will determine an appropriate response based on all relevant factors, including the severity of an offense, any actual harm

caused to our clients or firm, and whether the offense is a first time or repeat offense. Sanctions can range from informal warnings up to and including suspension or dismissal.

Material provisions of our Code, gifts and entertainment, and political contributions policies are described below. A written copy of our Code and business and compliance policies and procedures is available upon request from current clients and prospective clients.

### **1. Our Code of Ethics**

#### **Restrictions on Personal Securities Trades and Outside Activities**

Our Code governs personal security transactions by all of our employees. Employees generally must pre-clear their personal securities transactions in securities in which the firm may trade. Transactions in certain types of securities, including US and non-US funds, and US and non-US government obligations, are exempt from pre-clearance. Certain transactions also are exempt from pre-clearance when the employee does not control the timing of the trade, such as transactions in automatic investment and dividend reinvestment plans. Some securities and transactions exempt from pre-clearance must be reported in quarterly transaction and annual holdings reports required of all employees. The pre-clearance and reporting obligations apply to all accounts in which the employee (or a close relative) has a beneficial interest or, over which he or she exercises investment discretion.

Personal securities transactions are tested against different substantive rules designed to prevent an employee from taking advantage of our firm's research or trading activity to the detriment, actual or apparent, of our clients. Such restrictions include a 10-day blackout period after a change in a company's research rating by our Value Team, and a 3-day blackout period from transactions in a security that we have traded for a discretionary account or

recommended as a trade to non-discretionary accounts.

Our Code also prohibits employees from:

- purchasing any security in a private placement;
- purchasing any security in an initial public offering;
- from profiting from the purchase and sale or sale and purchase of any security or its equivalent (local shares and ADRs) within 60 calendar days;
- participation in certain outside business activities, including service on boards, creditor committees and investment clubs.

The General Counsel or Chief Compliance Officer may grant an exemption from these prohibited trades and activities on a case-by-case basis but only if he or she determines that such a transaction would not harm clients or the firm and involves no opportunity for abuse. Any exemption granted would be reported to the Ethics Committee.

### Prohibitions on Insider Trading

An integral part of our research process is meeting and participating in conferences and calls with management of companies. Some of these calls and meetings may be open to the public such as earnings calls and industry conferences, while others may be private. Some of these meetings or calls are arranged by brokers, although we may have independent relationships with some company management. However, we have never used or subscribed to any third party “expert network” to speak with personnel at companies. Our objective in participating in management calls and meetings is to gain greater understanding of the company and its prospects, or an industry or sector. We do not seek material non-public information but our personnel may receive it at times during such calls or meetings, or in other ways.

Our Code and existing law prohibit any person from trading on the basis of material non-public information for our clients or their own

account, and requires employees to notify Legal and Compliance when they suspect they may have received non-public information. The Legal and Compliance Team will review the circumstances related to any reported receipt of non-public information and determine an appropriate response that could include creation of an information barrier between the recipient and the rest of the firm and imposition of personal and/or firm-wide trading restrictions. The remedy chosen will depend upon the materiality of the information, the legal standard in the appropriate jurisdiction (as the standards vary between the United States and other countries) and the degree to which Legal and Compliance believes less restrictive means (short of a firm-wide trading restriction) will alleviate the appearance of improper trading and can be effectively enforced. Thus, our Legal and Compliance Team may impose restrictions that could prevent our personnel from disclosing this information to clients or trading for client accounts in securities of the company until such information is publicly disclosed.

### Reporting and Annual Certifications

All employees are required to file, and certify as to their accuracy, quarterly transaction reports, and annual holdings reports. All employees also are required to certify at least annually to certain matters, including that they have read and complied with the compliance manual, including the Code and all policies and procedures, and that they have not been subject to certain disciplinary matters.

### 2. Gifts and Entertainment

Our policies regarding gifts and entertainment are currently in a separate policy from our Code due to recent changes to the reporting requirement for ERISA plan and some public fund clients. We anticipate refinements to these new requirements and we may have to make corresponding minor changes to our gift policies. We separated the policy from our Code to eliminate the need for the boards of our US mutual fund clients to approve minor changes

to these policies as they would be required to do if the policies were part of our Code. We notify clients of all changes to our policies that will enable all clients, including our mutual fund clients, to determine the appropriate level of internal review and/or approval needed. Compliance with all of our fiduciary-related policies is a condition of employment for all employees and administered by our Ethics Committee in the same manner as our Code. We anticipate moving these policies back into our Code after more certainty develops regarding the interpretation of these new requirements.

Under this policy, employees may not accept any cash or cash equivalent gift from a person associated with a client, vendor, company in which we invest or may invest, or other party doing business or seeking to do business with the firm. They also may not accept any non-cash gift from the same source with an annual aggregate value over \$300. There are certain exemptions for pre-existing personal relationships provided that the gift exchange is reciprocal. Employees may accept business-related entertainment only if it is occasional and not lavish. Certain *de minimus* entertainment received during research conferences and incidental travel during research trips (i.e., travel to company facilities) are permissible so long as they are research-related and not lavish. HGI pays for its employees' travel to and from, and hotel charges during, approved research trips or conferences. Receipt of most gifts and entertainment require manager notification or approval, and gifts and entertainment with a value over \$50 must be reported quarterly to Legal-Compliance Team. Our Ethics Committee periodically reviews the reported items to ensure that they are appropriate and to determine whether changes to our policies are warranted.

### 3. Political Contributions/ Payments to Government Officials

In the United States, our employees are subject to limitations on the amount of contributions

they can make to candidates running for State or local office, or that are incumbent elected officials of State or local government running for federal office. Our non-US resident employees are prohibited from making any political contributions in any US election.

Other payments to government officials in the United States or abroad also could raise issues regarding actual or perceived bribery, or seen as an attempt to improperly influence official government action. To ensure compliance with laws against corruption and bribery, our policies prohibit certain political contributions in the United States, and other payments, including gifts and entertainment, to government officials in the United States and abroad without the express prior approval of Legal and Compliance.

## B. Participation or Interest in Client Transactions

As discussed earlier, as an indirect subsidiary of NGAM and Natixis, HGI has numerous affiliated companies engaged in financial services businesses globally. For purposes of the discussion in this section only, the term “we” or “us” include HGI, NGAM and all of our affiliated companies, and our respective employees, and we use the term HGI when a statement applies only to HGI, our direct subsidiaries or HGI employees.

We could have interests in securities or transactions that HGI recommends or places for its clients. These overlapping interests may arise when we have an interest in securities recommended or traded for clients if:

- we have a material financial interest in particular securities recommended, purchased or sold by clients;
- we invest in the same securities that we recommend to our clients, and may invest in such securities contemporaneously with HGI clients.

We first discuss the primary ways that we could participate or have a shared or contrary interest



in securities recommended to, or traded, for HGI's clients. These situations raise the same risks to our clients, and we then identify those risks, and describe how we address or try to mitigate them.

## 1. Our Participation or Interest in Client Transactions

### Our Material Interest in Securities that HGI Recommends or Trades for Clients

We could have a material interest in a security if HGI or an HGI employee owns the security for their own account. Except as discussed below, HGI does not have a proprietary trading account for its benefit or that of its employees, does not engage in any brokerage operations, and does not engage in principal transactions with clients. From time to time, however, HGI may manage accounts funded by our personnel, HGI, NGAM or another affiliate for the purpose of creating and incubating a new investment strategy or product. Depending on the structure of the arrangement, profits from such an incubator account or product would belong to the entity or person funding the new strategy or product.

Other Natixis affiliates have brokerage operations and could have proprietary trading accounts and operations that could give them a material interest in securities recommended or traded by HGI for its clients. Some of our affiliates provide underwriting services and could be part of an underwriting syndicate for a security offered in an IPO or a secondary offering that HGI could choose to purchase for its client accounts. Certain affiliates also may engage in banking or other financial services, and in the course of conducting such business, such persons may take actions, such as foreclose on a property owned by a company in which HGI invested client assets, that could adversely impact the value of a security held in HGI's clients' accounts. Finally, our affiliates' employees also could own a security that HGI is recommending or trading for HGI's clients.

### Investments in the Same Securities Recommended, Purchased or Sold Contemporaneously with HGI Clients

We may invest in the same securities that we recommend, purchase or sell for clients. For example, our employees or a proprietary account may purchase or sell securities that may be recommended or traded by HGI for client accounts directly, or indirectly by investing in a mutual fund that HGI manages. Also, because we have numerous affiliated financial companies, they may be buying or selling the same securities that HGI is recommending for, or purchasing and selling for HGI clients. Such transactions by our affiliates may include trading in securities in a manner that differs from or is inconsistent with the advice given by HGI to our clients, and could compete or conflict with HGI's trades and negatively impact the price HGI's clients receive on their transactions.

HGI employees also may invest in certain mutual funds advised or subadvised by HGI either directly, or through a qualified retirement plan sponsored by NGAM for its and its affiliates' employees, and certain HGI employees may have such exposure through a deferred compensation plan sponsored by HGI.

These potential overlapping interests raise the same conflicts of interest in that they could create an incentive for HGI to:

- front run its clients in the placement of personal and proprietary securities transactions;
- share information with affiliates so that they may front run HGI's clients;
- favor certain accounts, particularly proprietary accounts, over other client accounts in the allocation of investment opportunities or in trade placement priority.

## 2. Methods to Mitigate Risk of Harm to HGI Clients

HGI has a variety of methods, including operating procedures and controls, that are designed to eliminate, mitigate or address these conflicts. Some of these include:

*Autonomous operation of the various companies in the Natixis organization mitigates the risk of harm from affiliates and their employees.* All companies in our organization are run independently by different management. Neither HGI nor any affiliated company has real time access to the trades being placed by another affiliated firm for itself or its clients, and there is no coordinated action by the affiliated companies in their trading or investment activity.

*HGI's compensation practices mitigate the risk that HGI personnel will share our investment ideas with third parties to the detriment of its clients.* HGI employees are compensated based on a combination of base salary and discretionary bonus payments that are tied to the profits of HGI's investment teams and/or HGI's net profits. We believe that our compensation structure aligns the interests of HGI personnel with those of our clients and reduces the risk that HGI or its employees would inappropriately share such information with people outside of our firm, including with our affiliates.

*Pre-clearance of personal securities transactions by HGI personnel mitigates the risk that personal trading by employees will be to the actual or apparent detriment of HGI's clients.* Please see the discussion in the preceding section of this brochure for a description of our Code of Ethics, and the substantive restrictions on HGI employees' personal trading.

*Our centralized investment approach helps ensure that client accounts will generally invest in the same securities subject to their specific guidelines and circumstances.* Our team-based collective investment model also mitigates the risk that particular accounts will be favored over others

in the allocation of investment opportunities. Because we generally invest in larger cap securities, investment opportunities in such securities are generally not limited. Also, deviations from our Team's investment decisions will generally be based on objective client guidelines or circumstances (i.e., cash inflow or outflow).

*Different trading policies administered by our Trading Group also mitigates the risk that certain accounts will be favored over others in the allocation of investment opportunities or trade placement priority. These policies include:*

- *Policies regarding allocation of IPOs and Secondary Offerings.* We have IPO allocation procedures to ensure that participation in IPOs is allocated fairly. Because HGI generally invests in larger cap securities, participation in an IPO for most companies is less likely although we follow these policies for allocating any secondary offering of the securities of a company contained in a model portfolio for a strategy.
- *Practices Related to Transactions with Affiliated Entities.* HGI does not use affiliated brokers to execute transactions for client accounts, except we may choose to participate in an offering in which an affiliate is a member of the underwriting syndicate. Participation in such an underwriting must comply with applicable law, and NGAM procedures that are designed to minimize the likelihood that participation will harm clients' interests.
- *Trade Aggregation and Trade Priority Policies.* The risk that HGI or an employee would seek to favor an account in trade placement priority is addressed through our trade aggregation policies and our centralized investment management model. We typically manage to a model portfolio for a Strategy. Accounts modeled after our preferred benchmark with limited restrictions will be bunched and placed as a block order with a broker when possible. Any proprietary account is treated as a client and will be



prioritized for trade placement with other clients with comparable guidelines and will not be processed first.

*Periodic Account Reviews Should Detect Favoritism over Time.* Because of our centralized team investment management style, comparable accounts should demonstrate comparable investment performance absent unusual or unique client circumstances. HGI uses different techniques, including periodic performance dispersion analysis, to review client accounts to try to identify accounts with material performance dispersion over time.

## IX. Brokerage Practices

This section describes our general practices and policies regarding trading for client accounts, and our selection of brokers to execute trades for client accounts. It also discusses conflicts of interest that may arise and how we address them.

### A. Best Execution

Unless instructed otherwise by a client, HGI seeks best execution when placing client trades with brokers selected by us. We define best execution as the process of obtaining prompt and reliable execution of trades at the most favorable total cost or proceeds reasonably obtainable under prevailing market conditions. Because best execution is a process, we cannot state with any certainty that best execution will be or was obtained for any particular trade. However, our Trading Policy Review Committee meets at least quarterly to, among other things, monitor the execution quality of our trades, including reviewing reports provided by a third party analytical service that assesses the execution quality of our trades. Over time, based on our controls and monitoring, we believe that we achieve best execution.

We consider many factors in selecting brokers to execute client trades, including their execution services and research provided.

Although the amount of brokerage commission is a factor in assessing execution quality, it is not the sole or even most important factor in broker selection. The lowest commission rate is not always the most appropriate rate or the most important factor in selecting a broker for a particular transaction. Many orders may require special skills or access to certain markets by brokers that may charge higher commissions in order to prevent information leakage that could result in higher total execution costs or lower total proceeds. Other orders, including small orders or orders to periodically rebalance accounts, often can be done most effectively with lower commission charges using execution-only services, such as electronic trading networks (“ECNs”). Also, commissions or markups paid in connection with foreign trades are typically determined on a different basis (based on basis points on the principal amount of a trade as opposed to a cents per share price) and could be higher or lower than trades in US securities depending on the principal amount of the trade.

We do not generally seek competitive bidding for the most favorable commission rate for a particular trade, or select brokers based solely on their posted commission rate. We are aware of the commission rates charged by brokers and take them into account when selecting brokers for our approved list. Our Trading Group also negotiates brokerage rates with our approved brokers at least annually. Although we seek competitive commission rates in our negotiations with brokers, clients will not necessarily pay the lowest commission or markup for any specific trade. An important factor in the level of commissions that our clients will pay arises from our receipt of proprietary research from some brokers that we select to execute some client trades.

## B. Our Receipt of Proprietary Research

---

Consistent with our duty of best execution, some client trades will be placed with brokers who provide research and execution services to us. This research is provided to us as a result of client trades placed by us with certain brokers, and are generally referred to as soft dollar arrangements. Research services received from executing brokers are supplemental to HGI's own research efforts and, when utilized, are subject to internal analysis before being incorporated into an investment team's investment decisions. Although existing law permits soft dollars to be used for brokers to provide third party research, we use soft dollars only to obtain a broker's execution services and proprietary research. We directly pay for any third party research reports or services from our own assets.

Currently, we receive the following types of proprietary research from brokers:

- Proprietary research reports on markets, companies, sectors, industries or regions prepared by the broker's research analysts.
- Statistical data on markets, companies, sectors, industries or regions.
- Access to a broker's research personnel to discuss their areas of coverage.
- Meetings or calls with company management and personnel arranged by brokers. We have never used "third party expert networks" to speak with industry experts.
- Free attendance at industry conferences sponsored by brokers, including the cost of incidental meals provided during conference hours. HGI, however, pays for travel to and accommodation during these conferences.
- Participation in research trips organized to tour specific company facilities, or companies in specific sectors, industries and/or regions, including non-lavish necessary travel among company facilities and incidental meals. HGI,

however, pays for its personnel's travel to and accommodations during these research trips.

- Attendant support services to assist travelling research personnel, including translation and logistical guide services and similar services, during research trips, company meetings or conferences.

As a practical matter, it would not be possible for us to generate all of the research and information that we presently receive from executing brokers. While the receipt of research services from brokerage firms has not reduced our normal research activities, either our expenses would be significantly increased if we attempted to generate the research provided by brokers through our own staff, or our market and company coverage would be significantly reduced. To the extent that research services of value are provided by brokers or dealers, we are relieved of expenses which we might otherwise be required to bear.

The acquisition of research from executing brokers raises certain conflicts of interest because brokers' commission rates for execution services are generally lower than the rates they (or an execution-only broker) charge for execution and research services. Clients generally will pay a higher commission or markup rate on trades executed by a broker that provides research and execution services than the rate that the broker or an execution-only broker would charge for the same trade providing only execution services. We could then have an incentive to select a broker that provides research to keep our costs lower rather than seeking best execution for all of clients.

We manage this conflict of interest in different ways, including our monitoring and client reporting process regarding trades and execution quality. Commission rates or markups are included in the cost basis of a security and will impact the capital gains or losses and performance of an account. Our success as a firm and our investment professionals' compensation depends on the long term performance of our client accounts. We believe

that this fact incentivizes our personnel to use brokers and their research as long as it provides material assistance to our research and investment management decisions. We believe that the positive impact of research obtained should be evaluated and reflected in the long term performance results, and other risk attributes of, a client's account. We analyze the commission impact of research trades and estimate a numerical performance impact that is reported to clients upon request. We believe this information enables clients to better monitor and evaluate the comparative performance of their accounts that should assist them in making a qualitative determination of the value of our advisory services, including the performance impact of the broker research we receive and use to manage their accounts.

Although we believe that research benefits all client accounts, it is often difficult, and sometime impossible, to link the acquisition of particular research to particular client trades. It also may be difficult to calculate a specific cost for a broker's proprietary research as information about the broker's cost of providing specific research is not available or can be valued in different ways (i.e., broker's cost to provide it, or an objective cost to obtain comparable third party research). Some research may be used for the benefit of all clients while other research may benefit primarily a specific Team, Strategy or segment of clients within a Strategy.

Some clients may wish to direct us not to use their brokerage commissions to obtain broker research. We cannot manage a client's account without using research obtained as a result of the commissions of other clients. Also, HGI has established many brokerage arrangements in which commissions may not be separable into a research and execution cost. Accordingly, we will not accommodate any request for such a restriction as we do not believe it is compatible with our investment approach or fair to other clients.

## C. Our Broker Selection Process

---

There are two levels to broker selection. First, the firm has an approved broker list that includes execution-only brokers generally recommended by our Trading Group, including ECNs, and some brokers that may provide bundled research and execution services. For purposes of this section, we use the term "research broker" to mean a broker on our approved list that provides bundled research and execution services. Second, our Trading Group is responsible for selecting the specific approved broker to execute a particular transaction based solely on best execution.

### Approved Broker List

To be considered for the approved broker list, a research broker must be requested by an investment team, and an execution-only broker must be requested by our Trading Group. Brokers are then screened for business and compliance issues before they are reviewed and approved by our Trading Policy Review Committee. In selecting brokers for the approved list, we consider a wide variety of factors, including price, quality, speed, efficiency, confidentiality, familiarity with potential purchasers or sellers, reliability, overall execution capability, including the ability or willingness of the broker to clear and settle transactions, and possibly commit their capital, the difficulty of specific transactions and transactions in specific regions or markets, the published disciplinary history of the broker, other logistical or processing considerations, and the amount and quality of research provided.

In assessing the research capability of brokers and determining which research brokers should be on our approved list, HGI research analysts rank research brokers twice a year. Analyst rankings are based on a variety of factors including, but not limited to, the breadth and depth of overall research used, the quality of ideas and service delivered by each broker, as well as broker sponsorship of industry conferences, access to certain markets, and

ability to arrange meetings with company management. Senior investment management staff, including the CIOs for the two investment teams, then reviews the analyst rankings and select research brokers that they believe will provide the respective Team with quality research and execution services. Each Team then establishes a target percentage allocation between execution-only and research trades, and a target allocation for each research broker. We could have different approved research brokers for our Growth and Value Teams, but there is usually overlap in the research brokers used to execute trades for both Teams.

### Selection of Specific Brokers for Specific Transactions

Subject to our approved broker list, our traders in our Trading Group are solely responsible for broker selection, negotiation of commission rates and overall trade execution for specific trades based solely on best execution. We believe that this is an important control that helps mitigate the possibility that a particular trade will be placed with a broker for some reason other than best execution. Although the investment teams establish target allocations between execution-only and research trades, and for each research broker, there is no guarantee that any target will be reached. Typically, based on the execution needs of particular trades or market conditions, some allocation targets are not met and some may be exceeded. If our traders determine that more than one broker can provide best execution for a trade, the trader may consider different factors, including the allocation target for an approved broker, and a client's suggestion to use a particular broker if the broker is on our approved list.

We never knowingly select brokers for our approved lists or for specific trades based upon their referrals to us of potential clients or based on sales of fund shares or other investment products. We never seek this information and if we obtain such information, we will generally segregate it from our investment and trading

professionals. However, we will not automatically disqualify a broker simply because the broker or its personnel may have recommended or sold funds that we or an affiliate advise or subadvise, and we may place trades with brokers who have in fact sold funds that we or an affiliate advise or subadvise. If we do select such a broker for our approved list or to execute a particular transaction, it will never be based on their referrals to us or sales of any investment products.

### D. Client Directed Brokerage

---

Generally, clients give us full trading discretion over their account, including the authority to select brokers to execute trades. Some clients, however, may direct us to use a specific broker or group of brokers, while other clients may suggest that we use particular brokers subject to our ability to achieve best execution. We view these types of direction differently depending on whether we have the obligation to obtain best execution.

For clients that suggest that we use different brokers subject to our duty to obtain best execution, we generally do not interpret these types of instructions as directed brokerage. We will use a suggested broker only if they are on our approved broker list and our Trading Group determines that their selection is consistent with our duty to seek best execution for all clients. Under those circumstances, our Trading Group could decide to bunch client orders and place a block order with a client-suggested broker. Depending on the size or perceived importance of the client making the suggestion, we could have an incentive to place our relationship with that client over our duty to seek best execution for all clients. We believe that our incentive to achieve superior performance for all of our clients, and the separation of functions between our investment professionals and trading, mitigates this risk. We typically review the client's suggested broker list or particular brokers at the time a request is made, and may inform the client if we believe that the use of

the suggested broker is unlikely given our approved list, prior trading history or anticipated usage. Upon request, we also will send clients periodic information about trade execution that, among other things, identifies the executing brokers used by us. It is the client's responsibility to compare usage information with any internal target or goal they may have set to determine if they want to give us a fixed order to direct brokerage without regard to best execution. If we do select a broker suggested by a particular client and the client receives a benefit, such as commission recapture credits, only that client's trade (and not other client's trades included in any aggregated order) will be reported to the broker.

We do permit clients to direct brokerage to a particular broker or group of brokers for different reasons, including to qualify for commission recapture credits. If a client directs us to use a particular broker or dealer, we will not be in a position to freely negotiate commission rates or spreads or assume responsibility for best execution. We also will not be in a position to review whether a particular trade directed to a client's broker received a reasonable price. For example, some clients direct all foreign currency exchange transactions to be done by their custodians. We will honor such a request but we cannot guarantee best execution. Moreover, we will not be in a position to evaluate the reasonableness of any execution price because we usually do not know the time, or sometimes even the trade date, of the foreign currency transaction done by a client's custodian. For these reasons, a client may want to satisfy themselves that the custodian or other directed broker can provide best execution and provide sufficient information to the client for them to assess the reasonableness of execution prices received for their trades.

Additionally, trades that are client directed to a particular broker may not be able to be batched or aggregated with other trades for clients in the same Strategy if we decide to use a different broker for our discretionary accounts. Also, we

may place client-directed trades with the client's designated broker after we have placed, and in some cases after we have received fills, for a block order for clients who do not direct brokerage. Thus, client-directed trades may receive different prices than those obtained for our discretionary accounts because of different brokers or because of price movements if a client-directed trade is placed after our aggregate order for discretionary accounts. Under these circumstances, a client-directed trade may result in higher transaction costs, and/or less favorable total proceeds or cost than might otherwise be the case if we were free to select the broker based solely on best execution.

Because of the potential harmful effects of client-directed brokerage, we typically require such a direction, or acknowledgment, to be in writing by an authorized representative of the client. In the absence of any express direction to the contrary in our agreement or other written document, we assume that we have full trading authority subject to our duty to obtain best execution, including the power to execute foreign currency transactions necessary to support our trading efforts. Because of the small amounts and intermittent nature, we generally do not handle foreign currency transactions associated with income repatriation (i.e., conversion of dividends and other income received from securities held in an account). Such transactions are customarily handled by a client's custodian for efficiency reasons. We generally inform clients of the potential disadvantages to client-directed brokerage when we are given the instruction orally by the client and by delivering this brochure. Our trading policies, including aggregation of orders and trade priority are described in greater detail below.



## E. Our Trading Policies and Procedures

---

Based on our centralized investment management model, we are often in the position of buying or selling the same security or securities for a number of our clients at approximately the same time. We have developed different policies and procedures to ensure that clients are treated fairly in the allocation of investment opportunities and in the timing of order placement for their accounts. To enhance our review and monitoring capabilities, our policies require that trades be allocated on a timely basis and accurate records kept of orders, client trades and positions in securities.

### IPO and Secondary Offering Allocations

Our centralized investment model generally results in client accounts within the same Strategy holding substantially similar securities with similar weightings unless the client's specific guidelines or circumstances require a difference. Our primary emphasis on securities of larger capitalization companies generally means that most investment opportunities will not be scarce because of lack of availability or the size of our aggregate purchases (i.e., to avoid percentage ownership limitations).

In some market environments, initial public offerings ("IPOs") or a secondary offering of securities by a public company can experience significant increases in value shortly after completion of the offering. Because the amount of securities available for purchase in these types of offerings are finite, participation in these types of investments could be limited and could present the opportunity for us to favor one account over another. We have adopted the following policies and procedures to address fairness in the allocation of these investment opportunities.

Absent client specific guidelines or circumstances, participation in an IPO, or more likely a secondary offering of securities, will be

determined by the investment team. The investment teams must submit an order to our Trading Group with the amount for each client account participating in the offering. Our Trading Group will aggregate these individual orders into a single order to place with the underwriting syndicate. If our complete order is filled by the underwriting syndicate, we allocate shares to each account based on the request. If our complete order is not filled, the shares we receive are allocated pro rata to the accounts based on the percentage that each account's original order bore to the original aggregate order placed with the syndicate. The investment team, however, may deviate from this pure pro rata approach if the reallocation would result in a position under a round lot (generally 100 shares) or that represents less than 0.30% of a client's account value, provided that they reallocate in a fair and equitable manner.

Allocations of securities in IPOs and secondary offerings are reviewed at least quarterly by our Trading Policy Review Committee to ensure that these securities were allocated in compliance with these policies, and to review whether, in their judgment, such securities were allocated in a fair and equitable manner that did not unfairly discriminate in favor of certain clients or types of clients.

### Aggregation of Similar Orders

Under our centralized investment model, the same investment team could be placing trades for the same security for accounts in the same or different Strategies on the same day or over the course of a couple of days. Because prices are subject to market fluctuations, our Trading Group will generally place orders with executing brokers as they receive them. Our investment teams generally place trades for the same security with our Trading Group to implement changes to comparable accounts at the same time. Depending on the degree of customization needed, trades for the same securities for more restricted accounts in the same Strategy may be placed near in time or after orders placed for less restricted accounts in



the same Strategy. Also, trades for the same security in different Strategies may be placed before, at the same time, or after trades placed for the same security in other Strategies depending on when the investment team (or subset of the team) meets and makes its investment decisions.

Intra-day prices received on trades in the same security may vary substantially because of market fluctuations. If orders were placed separately, some clients could receive the benefit of more favorable prices while others would not. In order to more equitably allocate the effects of market fluctuations, orders to purchase or sell securities for all accounts managed by HGI, including accounts of HGI or its affiliates, may be aggregated or "batched" together and placed as a block or aggregate order with a broker or brokers by the investment team or our Trading Group. We have adopted allocation policies and procedures to seek to ensure fair treatment of participating client accounts.

Under our procedures, purchases or sales of a particular security for clients' accounts will be aggregated or "bunched" with purchases or sales of the same security for other clients received and entered at the same time or close in time. Our Trading Group then places a block order with a broker or brokers for the aggregate amount. A block order is usually filled by many small executions over the course of a day, or multiple days if it involves a thinly traded security. Each client that participates in a block order will receive an average execution price based on all of the executed fills. The price shown on confirmations of clients' purchases or sales will be the average price of all of the execution fills for the single order.

If our complete order cannot be filled, the participating client accounts generally are allocated a pro rata percentage of the filled order based on their outstanding order compared to the aggregate order. We may deviate from a pure pro rata allocation if we determine that a client account would be

disadvantaged, including when an account would receive less than a round lot, or if an allocation would result in an allocation that does not meet the market convention trading lot. Under those circumstances, the portfolio manager or trader may decide to allocate no securities to a particular account, random fill the unallocated order or otherwise allocate the unallocated portion in a way deemed fair and equitable to all accounts. A written explanation of any deviation from the pure pro rata allocation must be provided to and approved by the General Counsel or Chief Compliance Officer promptly following the execution of the trade. Any such exception also will be periodically reviewed by our Trading Policy Review Committee to determine whether changes to our policies are appropriate.

Because clients participating in an aggregated order receive an average price, they may receive a higher or lower price than if their order was executed first and separately. Over time, however, if client trades were placed separately they would sometimes be first, in the middle or at the end of the queue in trade placement priority. We believe that over time aggregation of orders is fair and equitable to all clients.

Trades may not be aggregated if prohibited or inconsistent with that client's contract or guidelines with us. Also, as discussed in our trade priority policy, non-discretionary accounts and client accounts that direct us to use a particular broker (excluding suggestions subject to our duty to obtain best execution) may not be included in an aggregate order, and could be placed after the block order is placed or filled thereby possibly negatively impacting the execution price received.

Finally, it is within the trader's discretion whether to add later orders to an earlier unexecuted order. In exercising his or her discretion, the trader will consider all relevant factors, including whether adding new orders to an unexecuted block order would negatively impact or delay execution of the earlier block order.

As discussed above, trades may be bunched and placed as a block order by our investment team or the Trading Group if they are placed near in time to other orders. Trades to implement changes to client accounts patterned after our preferred benchmark and guidelines may be placed before trades for the same security for more restricted accounts in the same Strategy. Later orders will not be bunched with completed block trades and may not be added to an unexecuted previous block order, which could result in restricted accounts receiving different and potentially inferior execution price. As a result, restricted accounts may experience different performance than less restricted accounts arising from these trading differences, as well as differences in portfolio holdings or holding weightings. Our investment teams generally place orders for comparable accounts in the same Strategy at the same time, and orders for comparable accounts (with similar restrictions) will be placed at the same, or near in, time which will facilitate aggregation of these orders by our investment team or Trading Group.

### Treatment of Competing Trades

Even with our centralized investment model, on occasion we could have competing trades for the same security. Competing trades would most likely arise if we have a client redeeming all or a portion of an account in a Strategy at the same time that a new client is investing in the same Strategy, or if our two investment teams are placing contra orders for the same security. During these times, we may "cross" trades between client accounts in which one client will purchase securities held by another client.

Cross-trades may be difficult to do or prohibited in some non-US markets. Cross-trades also raise different regulatory issues depending on the type of U.S. client. Because of these difficulties, HGI has not adopted policies and procedures, or obtained the consent of its ERISA clients, to enable it to do cross-trades involving ERISA accounts. Accordingly,

we do not effect cross-trades involving any ERISA client.

A cross-trade would only be entered into for other qualifying client accounts if we believe that the trade is in the best interests of both clients (primarily by eliminating commissions or markups and avoiding market impact), and a cross-trade is consistent with the clients' contracts, guidelines and policies. If we do a cross-trade, such trades must be done at specified objective market price established in a rule adopted by the US SEC governing cross-trades involving US mutual funds, and would generally be effectuated by the accounts' custodian (if the same entity) or by a broker for a customary transfer fee. Neither we nor any affiliated party will receive any compensation in connection with any cross-trade done between client accounts.

If we have competing trades, and we do not do a cross-trade, our Trading Group will determine a trading strategy for the competing trades to seek best execution for both sides of the trade. The strategy chosen will depend on the size of the competing orders and the liquidity of the security, and could include placing the competing orders with different brokers or execution venues to avoid interaction of the orders, or if a security is highly liquid by placing the competing orders with a slight time gap to try to reduce the likelihood of the orders interacting with each other.

### Trade Priority Policy

We use a trade priority policy that seeks to place orders for clients in a fair and equitable manner. Fair treatment does not always mean the same treatment and we have developed trade priorities based on the discretion given to us to manage client accounts. We typically place trades for accounts in which we have full investment discretion, including trading discretion, before trades are placed or transmitted to non-discretionary accounts. Limitations on our investment discretion (i.e., if we need client pre-approval to buy or sell) or

trading discretion (with client-directed brokerage) could negatively impact our investment strategy for our discretionary accounts by delaying our ability to place trades for those accounts. Also, placement of trades with a client's directed broker could compete in the market with orders for our discretionary accounts. For these reasons, on days when we are placing trades for both discretionary and non-discretionary accounts, we generally give priority to placing orders for discretionary accounts over placing trades for accounts where we lack full investment or trading discretion. Clients who are given priority in the timing of order placement may receive more favorable executions than clients whose trades are placed and executed later based on market fluctuations and the greater likelihood that the earlier trades may benefit from being aggregated. Thus, non-discretionary clients, including those who direct the use of a particular broker, should be aware that they may receive less favorable execution as a result of our trade priority policies.

### Trade Priority Related to our Services to Wrap-Fee Account Sponsors

As discussed earlier, we provide non-discretionary advisory services to certain wrap-fee sponsors or advisers, including affiliates, by providing Model Portfolios to them in certain Strategies. In these arrangements, the sponsor or investment adviser to the program is responsible for determining if, when and how to implement change recommendations to our Model Portfolios. The recommendations, whether explicit or implicit in the trading instructions or Model Portfolios provided to these wrap-fee programs, may reflect investment decisions being implemented by us for discretionary accounts in the same Strategy or other Strategies managed by the same Team. We typically will place orders and may commence trading for our discretionary accounts before we transmit Model Portfolio changes to wrap-fee sponsors. Also, if we determine that transmitting changes to wrap-fee sponsors could harm our trading strategy for

our discretionary accounts, we may choose to transmit Model Portfolio changes to wrap-fee sponsors or advisers after we have executed the corresponding trades for our discretionary accounts. A sponsor or investment adviser to a wrap-fee program generally needs time to evaluate proposed changes and place orders for the underlying accounts. Under either scenario, trades ultimately placed by a sponsor or adviser for the underlying wrap-fee accounts will be placed after our orders are placed, and possibly after our trades have been executed. Later trades placed by a wrap-fee sponsor for its underlying accounts may be negatively influenced by our prior orders or trades, particularly for large orders or where the securities are thinly traded. As a consequence, wrap-fee clients could receive different execution prices and substantially different performance than our discretionary accounts resulting from later placement of trades and the fact that the sponsor may use a different executing broker.

## X. Review of Accounts

### Portfolio Manager Review

Client portfolios are managed and monitored by a team (or subset of a team) of investment professionals. Our teams usually construct model portfolios to which client accounts are managed subject to client-specific guidelines. Models and individual accounts are routinely and periodically monitored for changes and implementation of these changes by the respective investment team (or a subset of a team). To assist with portfolio compliance, we also have an automated system that tests proposed trades at then-current market prices against account holdings to assure that the execution of the trade will not violate coded account guidelines. In addition, this automated system also performs a daily test to determine whether trades previously executed or market movement have caused the account's holding(s) to fall outside of its coded guidelines. Automated warnings may prompt a review and

corrective action taken by the investment team, or further review from our operations or compliance professionals. Many clients also have their own automated compliance monitoring systems and may notify us of a potential violation that will trigger review by our investment team, operations or compliance professionals. Some guidelines cannot be coded for automated monitoring and warnings. The investment team (or subset of a team) is responsible for ensuring compliance with non-automated guidelines, although periodic after-the-fact tests may be conducted by our operations or compliance professionals.

### Special Operations or Compliance Review

We have implemented different reviews to try to detect material differences in comparable accounts, including periodic dispersion analysis, or reviews of particular trading activity. An account may be reviewed by a cross-functional group of firm personnel if material dispersion or other activity triggers such a special review. An account may also be reviewed on a special or interim basis in response to important changes in economic or market conditions which we believe could have a significant impact on the account. Generally, we review material performance dispersion over time, however, we do not routinely review individual transactions unless extraordinary economic or market conditions, or other special circumstances, warrant trade-specific review.

In addition to reviewing and resolving potential compliance matters arising from our automated pre- and post-trade compliance checks, our Compliance personnel also periodically review other matters related to management of client accounts in connection with their administration of HGI's Compliance Program, including reviews of different aspects of the investment management process to evaluate consistency with client-specific limitations and guidelines. We also participate in special third party audits initiated by us or our parent organization to

periodically review different processes on a rotating basis based on the risk of the process and the last time it was reviewed. Past third party audits have included audits of the reconciliation, performance measurement and portfolio compliance processes. The results of any such special audits are generally incorporated into and used to supplement our annual compliance review.

### Periodic Reports to Clients

Clients receive certain periodic and special reports upon request. Separate account clients generally receive written reports at least quarterly that show the value of the client's account (including cash), and the cost and market value of each investment held in the account. Some clients, particularly separate account clients, receive quarterly reports including market commentary on the account and benchmark performance, and detailed performance information by sector and region, as well as transaction summaries. Other clients, such as mutual funds, that generate their own reports may request different reports from us, usually special compliance reporting and certifications.

The valuation of a client's account is based on our valuation policies and procedures and could differ from the valuation on the custodian's official books and records. Clients also receive statements from their chosen custodians and they should review and compare our reports in conjunction with their custodian's report. As agreed to with each client, we perform a periodic reconciliation of our valuation of an account's assets compared to the custodian's valuation, if the custodian's information is provided to us. Although we are not the official pricing agent for any client account, upon request, we will report to clients or their designated agents any material variance, as defined by or agreed to by us, discovered in our reconciliation process. We also provide, upon request, to clients or their designated agents any recommendations we make to fair value a particular security we hold in client accounts.

based upon intervening events occurring after the close of the primary exchange on which the security trades.

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

Other than our advisory or sub-advisory fee and the broker research we receive, we do not earn any other fees or compensation from any party as a result of our management of a client's account. We do not own any interest in any broker, although affiliated companies in our group of companies do own or operate brokerage firms. Currently, we do not use any of our affiliated broker/dealers to execute client trades, although certain of our affiliates may be part of an underwriting syndicate in an IPO or secondary offering. We may choose to purchase securities in an IPO or secondary offering in which an affiliate is part of the syndicate if the purchase is consistent with a client's guidelines, NGAM policies, and applicable law.

We may make cash payments to affiliated and third-party solicitors in exchange for consultancy services in connection with promoting HGI's advisory services and for client referrals provided that each such solicitor has entered into a written agreement with us. Currently, we have such arrangements in place only with two of our affiliated companies, NGAM Distribution, Inc. and NGAM S.A. Under these agreements, the solicitor must provide each prospective client with a copy of our Form ADV, including this brochure. Affiliated solicitors, under current law, are not required to provide a separate solicitor disclosure document to clients referred to us. We will not pay solicitation fees to any third party solicitor for referring to us any pension or profit sharing plan if that solicitor also serves as a sponsor, material service provider or fiduciary to such plan.

## **XII. Custody**

Neither HGI nor any of our affiliates act as the custodian for any HGI client accounts. We also do not select or recommend any custodians for any of our clients. We are viewed as technically having limited custody of one existing client account because we have been instructed to submit a bill directly to their custodian. The custodian for this existing client account is a US broker-dealer that is legally required to send account statements to clients at least quarterly. For this account, we periodically verify with the custodian that it in fact sends quarterly statements to this client. Because of the importance of maintaining safeguards to protect client assets, including timely independent review of payments of client assets, we will not accept any request from a new client for us to bill their custodian directly for our services.

Clients should receive statements from their custodians at least quarterly. Comparative review of these different statements can facilitate timely identification of fee calculation errors or other discrepancies in your account. Accordingly, all clients should carefully review the statements sent by their chosen custodians and compare them with the reports sent by their investment advisers, including HGI.

## **XIII. Investment Discretion**

As discussed in Section I.F of this brochure, HGI accepts discretionary authority to manage client accounts. Accounts are designated as discretionary if HGI has the ability to implement trades for an account when it believes the timing is appropriate subject to client guidelines. An account is non-discretionary if we do not have the ability to implement investment ideas without prior client approval, or when we do not have trading authority for an account. We only accept client accounts with a written contract and the nature of our authority as discretionary or non-



discretionary, and any other powers given to us (such as proxy voting) are described in the contract or other document.

We will accept additional investment restrictions for accounts in our Strategies that differ from our preferred guidelines and benchmark if we believe that we can still effectively manage the account. As discussed earlier, additional client-imposed restrictions could result in orders for their accounts being placed later than orders for less restricted accounts based on the way our investment teams create their model portfolios and implement changes from their preferred model to more restricted variants. Restricted accounts also may be placed in a separate performance composite.

Examples of additional restrictions that we may negotiate with clients include:

- limitations on the ability to purchase local shares of non-US companies;
- variances in the benchmark from MSCI ACWI ex USA to a different benchmark;
- limitations on investments in certain sectors, industries, geographic areas or issuers;
- limitations on investments in client-affiliated companies (particularly for ERISA plans) or restrictions on use of client-affiliated brokers; and
- restrictions regarding “socially responsible” issues (e.g., no investments in companies engaged in tobacco, gambling, environmentally hazardous materials, or weapons).

For client-specific restrictions, such as limitations on investments in affiliated companies or companies not considered socially responsible, or the use of affiliated brokers, we will accept such restrictions only if the client imposing them provides a list of such restricted companies. Such restrictions could result in exclusions or changed weightings of preferred holdings from an account, and could result in materially different performance from less restricted accounts in the same Strategy.

## XIV. Voting Client Securities

Some clients have given us discretion to vote proxies on securities held in their accounts. We will generally only vote proxies if we are given this authority in writing by a client except we will vote proxies for US pension accounts unless a written document precludes us from voting proxies or delegates that duty to another fiduciary. Our ability to vote proxies depends on the client’s custodian delivering the proxies to us or our agent in a timely fashion.

We have a written proxy policy and guidelines that govern our voting of proxies for client accounts. We take reasonable steps under the circumstances to ensure that proxies are voted in the best interest of our clients, which means voting proxies with a view to enhancing the financial value of the securities held in client accounts. In the case of social and political responsibility issues that, in our view, do not primarily involve financial considerations, it is not possible to represent fairly the diverse views of our clients. Thus, we generally vote in accordance with the recommendations of our proxy voting service on such issues, although, on occasion we could abstain from voting.

### Conflicts of Interest

From time to time, we may have a business relationship with an issuer whose securities are held in a client account, or a business relationship with an entity or person that could be impacted by the vote of proposal for a company whose securities are held in client accounts. The issuer may be a client, vendor, lender or trading partner. Because of the appearance of a conflict of interest in such cases, we have established a Proxy Voting Committee that oversees the proxy voting for client accounts. Our Proxy Voting Committee has established standards for identifying and reviewing certain proxy votes to identify and resolve voting on matters involving a material conflict of interest. If we are determined to have a material conflict of interest, the matter is

reviewed by the Proxy Voting Committee who will direct the voting of a proxy in the interest of clients holding such securities. Because some non-apparent potential conflicts of interest based on personal interests or relationships requires reporting, if the potential conflict is not raised by someone in the firm, it may not be identified and resolved by our Proxy Voting Committee.

### Other Issues in Voting Proxies

We seek to vote proxies that we are eligible to vote and timely receive. We will not vote proxies that we do not receive in time to submit a timely vote. The timeliness of notification, distribution of proxy materials, book closure and the actual meeting date will vary by jurisdiction and market practice. We also generally will not vote proxies for securities that were not selected by us or that we do not have discretionary authority to sell. In certain situations, we may not be able to vote or may decide not to vote particular proxies on behalf of clients if we determine that voting is not in the best interests of our clients. Such circumstances may include when securities are out on loan, or if voting requires us to change the registration or restrict us from selling the security for a period of time, or if the perceived costs or burdens of voting outweigh the benefits. Voting proxies for securities of companies located outside of the United States could involve significantly greater effort or cost than voting proxies for companies located in the United States that could result in us deciding not to vote more often than clients may experience with proxy votes for US companies. For example, some markets require that shares to be voted be “blocked” by the custodian before or after the meeting, or that shares be registered in a particular way that could negatively impact our ability to trade. Under those circumstances, we could decide not to vote to preserve investment flexibility to sell such securities depending on market conditions and the time period of the restriction.

### For More Information

You may obtain information from us about how we voted proxies for securities in your account, and a copy of our proxy voting policies, procedures and guidelines, by calling our Account Administration department at (954) 522-5150.

## XV. Financial Information

We are not required to provide a balance sheet under applicable law because we do not require pre-payment of advisory fees.

## XVI. Requirements for State Registered Advisers

We are not required to respond to this item as we are registered with the SEC.

## XVII. Other Services and Information

### A. Pricing and Valuation Assistance

We seek to maintain accurate market valuations of the securities that we hold in client accounts for our internal use. We determine values of all securities held in client portfolios daily through the use of pricing services that provide current market prices. We also determine fair valuations for securities when market quotations or prices are not readily available, or at times when an event occurs after the close of a primary market that could render the closing price or price provided by a pricing service not reflective of the current value. The need to fair value arises most often with non-US securities because international markets are not open at the same time as US markets, and closing prices from those markets might not reflect a security's current valuation based on events occurring after the close of the market. For example,

political or other events occurring after the close of a primary market (e.g., recently in the Middle East or South Korea) could require that we examine the closing prices of securities of companies organized in or with significant exposure to the affected region or event. We have developed pricing policies and procedures, including fair valuation procedures that are administered by our Valuation Committee.

Our valuation efforts are done for internal purposes, including, among others, to assist our portfolio managers in managing accounts, to calculate our firm performance, and for compliance monitoring. For example, our portfolio managers use pricing to manage a portfolio to determine when a security has reached a price target. Our portfolio management teams and compliance personnel use these values to measure compliance with an account's guidelines. We also use these values to calculate the performance of our Strategies to develop our performance composites for use in our marketing and business development efforts. Also, as discussed in the section on fees, we may use these values to calculate bills for our services if clients do not provide us with their custodian's quarter-end value of their account.

We do not act as the pricing agent or maintain or create the books and records for valuation of assets for any account. The pricing agent for client accounts could be their custodian or a third party service provider (for example, an administrator to a mutual fund). Although we use best practices and similar methods to value assets as official pricing agents (i.e., use of daily pricing services and procedures for fair valuation), our valuation of a security could differ from the pricing agent's valuation because of differences in the pricing services or fair valuation methodologies used by us compared to those used by the pricing agent. Upon request of the client, we will assist a client's official pricing agent by providing fair valuation recommendations, and in reporting material variances in weekly and monthly reconciliations of our values compared with the custodian values, but the official pricing agent or client

always retains responsibility for determining the value of the securities held in their account.

## **B. Our Privacy Policies and Practices**

---

As an investment adviser we are required to comply with various laws related to maintaining the privacy of non-public information that we obtain. Applicable laws are more restrictive for information that financial firms collect regarding non-public personal information about individual investors because of the risk of identity theft. Although we do not have individual clients, we have adopted privacy policies to ensure that the information we collect about our institutional clients are maintained and destroyed in a way to minimize the likelihood of disclosure of your confidential information.

Because we have access to confidential information about our clients, we hold ourselves to the highest fiduciary standards in its safekeeping and use. This means, most importantly, that we will never sell your information or disclose that you are a client or former client without your permission. Generally, we also do not share your information except when necessary to complete transactions or provide required services for your account, or if disclosure is required or permitted under applicable law. We also safeguard your information with appropriate systems controls, restrictions and training and awareness of our employees in the proper handling of your confidential information. Finally, we use appropriate methods to ensure that information is disposed of properly.

## **C. Our Anti-Money Laundering Policies and Practices**

---

We have adopted risk-based anti-money laundering practices and procedures that are designed to comply with US and Canadian law applicable to investment advisers. Because we do not act as the custodian for our clients' assets or accept or transfer money to and from client

accounts, and because our clients are generally institutional clients, it is unlikely that we will ever have to report suspicious activity or a large cross-border transaction. We do review all of our clients and prospective clients to ensure that we know who they are to comply with various “know your customer” requirements worldwide. Therefore, we may have to ask you for information about your organization to ensure that we satisfy these requirements.

We also screen our brokers, portfolio companies, vendors and prospective clients against various government lists to try to mitigate the risk that we will do business with a prohibited company that has been identified by government authorities as involved in, or connected to someone who is involved in funding terrorism or criminal activity or that has ties with countries identified and defined by appropriate government authorities.

#### **D. Our Relationship with Consultants**

Many institutional clients use independent consultants to screen potential investment advisers for different mandates, and advise institutional investors on the ultimate selection of an investment adviser. These consultants are paid by the institutional client for these services. Consultants, however, generally contact and regularly meet with investment advisers to evaluate them and to gain a greater understanding of their investment processes and philosophy.

Similar to many investment advisers, we provide information to consultants on an ongoing basis sometimes at the direction of a client, or other times so the consultant may maintain updated information about our firm. Information provided generally includes performance information about each of our Strategies, and representative portfolio holdings for certain Strategies. Disclosure of such information will be consistent with applicable law and our policies. Also, we do not disclose client-specific information to any consultant unless so instructed by the client. This information is

generally maintained electronically by consultants and used by them to conduct searches for their institutional clients. We also periodically meet with consultants to discuss our firm and our Strategies.

## **XVIII. Our Compensation Practices**

Our compensation practices are designed to be competitive to attract, retain and motivate employees of the highest caliber. HGI strives to determine the current market value of a position based on the skills, experience and knowledge required of a fully competent incumbent. HGI evaluates competitive market compensation by annually reviewing compensation survey results of investment industry compensation statistics and trends.

All personnel receive a competitive base salary which is determined by their experience, performance in their roles, and objective information from the market study of salaries paid for comparable positions. All personnel also are eligible for a full range of employee benefits customary to the country in which they work, including health and wellness benefits, and retirement benefits that include a firm match or contributions to a retirement account.

Additionally, all personnel are eligible for participation in a discretionary bonus program. The available pool is based on the overall profitability of HGI and is determined annually by HGI management. Individual incentive awards are based on the overall profitability of HGI and an employee’s performance and individual contribution to HGI’s overall performance for the year.

The overall compensation and benefits of investment personnel are the same as non-investment personnel except in the bonus program. We seek to reward their performance in a manner which aligns the interests of our investment professionals with those of our firm and our clients, and so the bonus program for

those professionals is slightly different. To accomplish these ends, each of our investment professionals has the opportunity to participate in a bonus pool linked to the direct profits of their respective investment teams. An investment professional's allocation in the pool is discretionary and determined through a subjective process that evaluates numerous qualitative and quantitative factors, including, but not limited to, pre-tax performance of the accounts managed by the individual or his or her Team relative to the account's benchmark, given the account's objectives, investment policies and restrictions and market environment over the preceding calendar year. This performance factor is not based on the value of the assets held in any one client portfolio. Additional factors include the investment professional's contributions to the investment management functions within the firm and respective Team, contributions to the development of other investment professionals and supporting staff, and overall contributions to client development and service and strategic planning. An investment professional's target bonus is expressed as a percentage of the total Team bonus pool that can vary (higher or lower) based on an evaluation of the above-mentioned factors.

Finally, many senior investment professionals have an additional opportunity to participate in an annual bonus linked to the overall profitability of our firm. All or a portion of these bonuses may be deferred for a specified period of time and invested in certain HGI-managed products and/or certain fixed income or money market funds. This plan is designed to retain qualified investment professionals and further align their long term financial interests with those of our firm and clients. Participation in this bonus program is discretionary, and is determined annually by the Compensation Committee of the Board of Directors of our parent company.

## XIX. Closing

We hope you have found this brochure helpful to understanding our firm and our material policies and practices. As this brochure is designed to assist you, we welcome feedback on the contents of this brochure, and any suggestions that you may have to clarify information presented or to present additional information.

If you have any suggestions, please call us at (954) 522-5120 or email us at [marketing@hansberger.com](mailto:marketing@hansberger.com).







## Hansberger Global Investors

### **Corporate Headquarters**

Hansberger Global Investors, Inc.  
401 East Las Olas Boulevard, Suite 1700  
Fort Lauderdale, FL 33301  
Telephone 954 522 5150  
Fax 954 713 2525

### **Canada**

Hansberger Global Investors, Inc.  
5500 North Service Road, Suite 1103  
Burlington, Ontario, L7L 6W6

### **Hong Kong**

Hansberger Global Investors (HK) Limited  
Suite 1901, Kinwick Centre  
32-36 Hollywood Road, Central Hong Kong

### **India**

Hansberger Investment Advisors (India)  
Private Limited  
Suite 820, Level 8  
Vibgyor Towers, Bandra Kurla Complex  
Bandra (E)  
Mumbai, 400 051, India

### **Russia**

Hansberger Group, Inc.  
Novaya Ploshad, Building 10  
Moscow 109012, Russia

[www.hansberger.com](http://www.hansberger.com)