

Legg Mason International Equities Limited

Form ADV – Part 2

**Brochure
October 2012**

10 Exchange Square, Primrose Street, London EC2A 2EN, United Kingdom | www.esemplia.com

This brochure provides information about the qualifications and business practices of Esemplia Emerging Markets ("Esemplia") the trading name of Legg Mason International Equities Limited. If you have any questions about the content of this brochure, please contact us at +44 20 7858 3000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Esemplia is also available on the SEC's website at www.adviserinfo.sec.gov.

An investment adviser's registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

The following changes have been made to this Brochure from the June 2012 version:

Item 4: The current assets under management figure has been updated from the June 2012 Brochure.

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Item 4. Advisory Business

Esemplia is a dedicated active emerging markets equities asset manager. The firm offers a range of long only and hedged strategies which reflect the capabilities of the team and our two decades experience investing in these markets. The sole objective of the firm and its people is to provide our institutional clients with active and total return exposure and consistent levels of alpha generation across a full market cycle via a disciplined and fundamental approach.

Esemplia's investment team first commenced managing monies in the emerging market equities asset class in 1991 when they were a part of Citigroup Asset Management, the asset management business of Citigroup Inc. The sale of Citigroup Asset Management to Legg Mason, Inc. ("LMI") in 2005 (December) resulted in the team being established as a stand-alone affiliate firm within the LMI group.

Esemplia is ultimately wholly owned by LMI. LMI is a firm listed on the New York Stock Exchange. Further information about our ultimate parent can be found at www.leggmason.com

Total discretionary assets under management for Esemplia as at September 30, 2012, was USD 1.860 billion with this amount being distributed across the firm's strategies.

Esemplia generally tailors its advisory services and products to client needs and requirements. Esemplia typically reviews and agrees investment objectives and guidelines in detail with new clients as part of the take on process and revisits objectives and guidelines with existing clients over time as their investment requirements change.

Esemplia does not participate in any wrap programs.

Item 5. Fees and Compensation

Esemplia provides management services to institutional clients and investment funds. In accordance with a client's investment management agreement or a fund's advisory agreement, fees are generally calculated quarterly based on an annualized percentage charge on the value of the assets managed. On a case by case basis, the firm will review and negotiate fees to ensure the alignment of interests between the firm and its clients or the funds it manages. Esemplia is also happy to discuss performance based fee arrangements with our clients and the methods available for remittance of payment. Esemplia typically bills clients for fees and receives payment at the clients' instruction, but occasionally a client may direct Esemplia to deduct fees from assets in accordance with the terms of a written agreement.

Fees paid by investment funds are structured on a case by case basis, where Esemplia is appointed by a fund vehicle to manage a sub-fund's portfolio of assets. The following fee scale applies for investment via segregated mandate in the firm's Core Strategy:

	Core
First USD 50 million	80bps
Next USD 100 million	75bps
Next USD 100 million	72bps
Next USD 100 million	68bps
Next USD 100 million	64bps
Thereafter	60bps

Esemplia only provides investment management and advisory services. Esemplia does not receive compensation for custody, brokerage services, or any related administration functions which are distinct from management of assets. Esemplia's clients appoint their own custodians and agree custody terms independently, including fee terms.

In the course of trading for a client's portfolio, the account will incur broker and exchange charges which arise in the usual course of trading. Esemplia will seek to obtain the best possible execution result for the client in its selection of brokers. In doing so, Esemplia monitors and assesses the quality of trade decisions by considering a number of factors, such as price, the cost of the transaction, the need for timely execution, the liquidity of the market, the size of the order and the nature of the transaction.

Item 6. Performance Fees and Side-by-Side Management

Esemplia maintains fee schedules for different strategies, some of which may involve performance fees or other customized fee arrangements. In addition, we may also agree to the application of a performance based fee arrangement on client request. Such fee structures are typically constituted of a base fee on assets under management plus fee related to performance generated above a given hurdle.

Performance fee-based accounts are managed alongside accounts that have a more traditional fee structure (e.g. accounts that pay asset-based fees) in place. Although perceived conflicts of interest could arise as a result of this situation (as the firm could seek to favor performance based fee accounts in order to increase the potential for increased revenue) we do not believe any such conflict of interest exists, as we maintain a variety of policies and procedures designed to ensure that the risk of favoritism is mitigated.

In addition to managing client accounts with very little dispersion (i.e. by utilizing the same investment guidelines across accounts) we also execute investment decisions via aggregate trades where possible. Such trade aggregation seeks to minimize execution costs and optimize the implementation of investment strategies for clients. Investment allocations are done in a manner that Esemplia believes is fair and equitable, with the presumption that similarly situated clients should generally participate in similar investment opportunities and trades. Rather than allocating trades based on the particulars of the fee schedules for individual clients, we allocate trades based on the proportionate size of each client's account (within the same investment strategy), making adjustments to accommodate individual client factors such as guidelines, investment objective and cash/liquidity requirements.

Esemplia maintains a variety of oversight mechanisms to monitor for situations where large discrepancies occur in client accounts, such as performance dispersion and tracking error differentials for accounts within the same strategy. From a regulatory monitoring perspective, Esemplia maintains a compliance monitoring program which has a component dedicated to reviewing allocations.

Item 7. Types of Clients

Esemplia's sole focus is to generate consistent levels of alpha from the emerging markets equity asset class for the firm's institutional global client base.

In addition to client's invested via segregated mandate, Esemplia is also the appointed investment manager or sub-advisor to a number of mutual funds and comingled vehicles.

While Esemplia does not apply a minimum requirement for opening a segregated account, the typical minimum size of such an account would be approximately USD 30 million.

All clients must qualify as at least Professional Clients as defined by the UK Financial Services Authority and are subject to anti-money laundering checks and "know your client" assessments.

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

Methods of Analysis

Esemplia is a dedicated active emerging markets equities asset manager. The firm offers a range of long only and hedged strategies which reflect the capabilities of the team and our two decades experience investing in these markets. The sole objective of the firm and its people is to provide our institutional clients with active and total return exposure and consistent levels of alpha generation across a full market cycle via a disciplined and fundamental approach.

The key drivers of returns in the asset class continue to be stock and country specific. Our investment team and our approach to investing in the asset class are therefore structured to reflect this. Our team of equity analysts screens the investable universe seeking out companies which present attractive investment opportunities. The team does this by undertaking extensive financial modeling and analysis as well as conducting on-site due diligence visits with company management.

Our team of country strategists research and analyze countries in the investable universe with the aim of quantifying risk and identifying areas of potential alpha generation. In order to do this, the team conducts in depth and systematic country analysis assessing factors such as public debt/GDP, external/private debt to GDP, GDP growth, current account positioning and political risk. In addition, the team takes into consideration the sovereign spreads of each country in the universe as well as the level of local equity market volatility. In addition to the quantitative research and analysis the team undertakes they also establish qualitative opinions of each government through meetings held with relevant government and central bank officials.

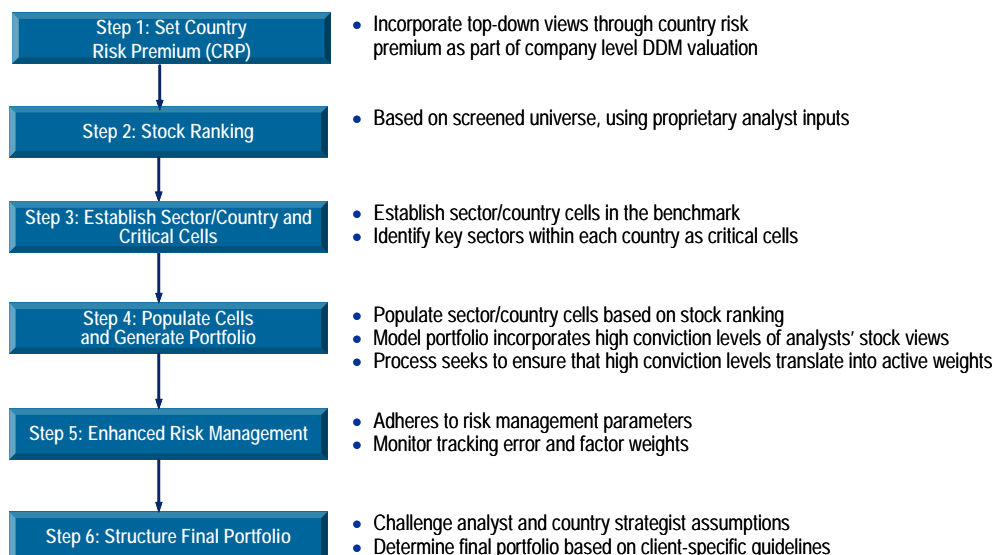
Investment Strategies

An overview of the strategies Esemplia offers is included in the table following:

	Core	Concentrated	Alpha Extension	Long / Short
Investment Aim*	3% - 4% in excess of MSCI EM Index returns.	4% - 6% in excess of MSCI EM Index returns.	6% - 8% in excess of MSCI EM Index returns.	Deliver 15% -20% absolute return.
Approach	Active, benchmark aware and broadly diversified	Highly active and concentrated	Highly active and concentrated. Additional risk associated with extending long and shorting exposure	Highly active with target volatility levels of less than 50% of the MSCI EM
Long Short Parameters	None	None	Not more than 150% Long and 50% Short	Maximum of 200% Long and 200% Short.

			Net market exposure around 1.0x	+/-50% Maximum directional market exposure
Holdings	Approx 80 - 110	Approx 50-70	Approx 70-120 depending of degree of "extension".	Approx 70-120 depending of degree of leverage
Constraints	Risk control constraints at cell, sector and country level.	Wider country and sector constraints, minimum diversification 10 markets.	Wider country and sector constraints, minimum diversification 10 markets	Wider country and sector constraints, minimum diversification 10 markets
Availability	Segregated mandate Commingled vehicles	Segregated mandate	Segregated mandate Commingled vehicle	Segregated mandate Commingled vehicle

The investment process for our 'core' strategy forms the basis of all the investment strategies the firm offers. A summary of the investment process for this strategy is provided as follows.



Risk

We consider that the primary definition of risk, as it relates to our unleveraged strategies, to be the differential which exists between the tracking error and the defined benchmark. We define this as the

primary risk to our clients on the basis that the objective of the strategy is to be fully invested while generating alpha in excess of the stated benchmark.

Our investment risk controls and risk monitoring processes are embedded within our portfolio construction process. Specifically we control and monitor risks in the portfolio construction process by:

- Maintaining the focus of the strategy on our best/good ideas,
- Referencing the benchmark when constructing our portfolios; and
- Imposing limits relative to the benchmark in relation to individual stock, sector and country holdings.

The processes we undertake seek to ensure that the “best” stock ideas generated by our research analysts translate into active bets in our clients’ portfolios, while delivering a final portfolio that is broadly representative of the investment universe in terms of characteristics and risk factors.

We apply Barra-based risk models to monitor and understand the key risk factors and exposures (i.e. beta, size, style, VaR, etc) that our strategies are subject to. These risk models are used purely for monitoring purposes rather than to drive investment decisions.

Risk positions are actively monitored and all critical positions are reviewed in risk models prior to their implementation. We do not set specific levels of tracking error as targets, rather we allow our portfolio construction process which places emphasis on markets and companies where excess returns are anticipated, to drive the overall tracking error level. To this extent, the overall estimated (ex-ante) tracking error is only monitored to ensure that the investment team is fully aware and comfortable with the overall active risk of the portfolio and to identify any significant common factor risks which may be prevailing in the strategy.

Common factor risks are kept to a minimal level as part of our investment process. Our portfolio construction process focuses on identifying the most attractive stock opportunities within a given sector in a country (sector/country cell). With our country and sector weightings largely determined by the cell population process and with the risk control parameters set at both the sector and country level, our portfolio construction process will by nature lead to an overall lower level of common factor risks. Given the importance of country risk factor in emerging markets, it is not surprising that country factor risk accounts for the large majority of our ex-ante active common factor risk.

Foreign currency exposures arise in the context of the emerging markets equities strategies managed by the Firm. Currency returns play an important part in the country allocation process. Since most emerging markets are considered difficult or expensive to hedge, we do not advocate the use of currency hedging in emerging markets. All of our strategies are unhedged.

The only counterparty risk we subject our unleveraged strategies to arises from the brokers with whom we deal. To control this risk all brokers are subject to an extensive due diligence process prior

to being admitted to our approved broker/dealer list. Further, all brokers are subject to on-going annual reviews to ensure that adequate financial standards are met.

Finally, liquidity risk is a factor that is constantly monitored and captured within the investment processes for all our strategies. We apply liquidity screens to ensure that extremely illiquid stocks are screened out of our investable universe. We also constantly monitor positions in the portfolios to ensure all positions can be traded within acceptable liquidity parameters and timeframes (i.e. 10-15 trading days assuming we account not more than 25-30% of the daily traded volume).

For our leveraged strategies, the use of derivatives in a portfolio gives rise to various types of risk, many of which are not necessarily peculiar to derivatives. The use of derivatives by the firm is limited to equity swaps where the associated risks have been identified, measured, managed and controlled. The level of risk adopted is managed and controlled by reference to the guidelines and restrictions applicable to the client account. An internal errors and breaches policy applies to any breach of these guidelines.

The primary types of risk include market risk, liquidity risk and counterparty risk.

Market risk: Represents the risk of adverse movements in markets (including asset prices, volatility, or other market variables) for the derivative or the underlying asset to which the derivative relates. Such risk is created by holding any security or instrument, physical or derivative, which creates exposure to movements in prices of a security. Market risk affects the portfolio at the sector, country and security level. The market risk associated with derivatives usage is assessed prior to investment and monitored subsequent to investment by portfolio managers. This is best assessed in the context of the total portfolio being managed, where derivatives are included, on a fully paid up exposure basis. As we only engage in the use of equity swaps, the risk of price movement is considered no greater if a stock is invested in physically or synthetically via swap.

Liquidity Risk: There are two types of liquidity risk:

- That a responsible party may not be able to, or cannot easily, unwind or offset a particular position at or near the previous market price, because of inadequate market depth or because of disruptions in the market place.
- That the Portfolio will not be able to meet its financial obligations resulting from its derivative activities, such as margin / collateral calls.

The liquidity of derivative positions is taken into consideration in the investment process at two stages, being at approval and then following investment. All investments must meet minimum liquidity requirements. The daily traded volume of a stock must be sufficiently liquid to be purchased within 15 business days, assuming such purchases account for less than one-third of the total trading volume. Where exposure is obtained via swap, the liquidity of the underlying security is assessed under these criteria. If the underlying is not sufficiently liquid, then the assets would not be obtained via swap.

The capacity of a portfolio to meet its financial obligations arising from its derivative positions is assessed by reviewing the available cash or cash equivalents remaining in the portfolio after

recognition of the obligations arising from the investment. This review is undertaken daily by the operations team within the Northern Trust Company, our back office support provider, in conjunction with the relevant counterparty.

Counterparty (Credit) Risk: Counterparty risk is the risk that a broker (the other party with whom a derivatives contract is made) will fail to perform contractual obligations (i.e. default in either whole or part) under a contract and that this failure occurs at a time when the contract is in the money (i.e. has a positive market value) to the Portfolio which holds the derivative contract. We are responsible for approval of counterparties; these are assessed as to their credit worthiness, financial strength, and operational capability. The aggregate swap exposure to counterparties is monitored on a regular basis by the brokerage sub-committee, and reported to the Risk and Operating Committee. Esemplia enters into master agreements with third party counterparties, based on International Swaps and Derivatives Association Inc., ("ISDA") standard documentation in its capacity as an agent on behalf of its underlying clients. These agreements are negotiated by lawyers acting on behalf of Esemplia and document the rights and obligations of both parties in relation to transactions. Original legal documentation is stored securely and copies are stored electronically for day to day access and contingency planning purposes.

Item 9. Disciplinary Information

Esemplia has no disciplinary actions to report.

Item 10. Other Financial Activities and Affiliations

Esemplia, as a member of the LMI group is affiliated with several other specialist investment management firms. However, all firms in the group operate and are managed in an independent manner meaning there is no sharing of investment intellectual capital or client sensitive information.

As the appointed sub-investment advisor to a number of Legg Mason registered funds, the firm has relationships with Legg Mason Investments (Luxembourg) S.A., Legg Mason Asset Management Australia Limited, Legg Mason Partners Fund Adviser, LLC, Legg Mason Investor Services, LLC, and Legg Mason Investments (Europe) Limited as managers or distributors to funds the firm advises.

Furthermore, the firm has established an affiliation with its sister firm in Hong Kong, Legg Mason International Equities (Hong Kong) Limited (which also trades as Esemplia Emerging Markets). Under the LMI model, affiliates operate autonomously with support provided by LMI in the form of capital, product distribution and certain support services. Our affiliation with Esemplia Hong Kong allows us to benefit from the many synergies which exist between our respective firms. These two firms have shared support functions (legal, compliance, client management, finance) and investment team oversight, but not day to day management of accounts.

Further information regarding the structure and constitution of the LMI group of firms can be found at www.leggmason.com.

Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading

All members of the Esemplia team are expected to exercise the highest ethical judgment and to comply with the laws applicable to their duties at all times. Esemplia's Code of Ethics ("CoE") policy covers all members of our firm and addresses the primary responsibility all employees have in relation to the fiduciary responsibility they have to the firm's clients. A copy of the firm's CoE is available upon request.

With regard to personal account trading, the CoE dictates that approval must be obtained from the firm's compliance representative prior to the opening of personal brokerage accounts; this includes accounts in which the employee has a beneficial interest. If approval is granted, employees must direct their brokers to supply to the firm duplicate copies of confirmations of all personal securities transactions in a timely and periodic manner (quarterly).

Trading undertaken by employees must be for investment purposes rather than for speculation. Consequently, employees may not profit from short term trading on the same or equivalent securities. All profits from short-term trades, including exchanges of proprietary open-end mutual funds or open-end mutual funds sub-advised by Esemplia, are subject to disgorgement.

Participation of Interest in Client Transactions

No employee shall purchase or sell any security in which they have any direct or indirect beneficial ownership if they have knowledge at the time of such transaction that the security is being purchased or sold, or is being considered for purchase or sale, by a client account. Additionally, an employee must not purchase or sell any securities for a personal account either on the same day or five business days before or after a client account trades in that security.

Item 12. Brokerage Practices

Esemplia will take all reasonable steps to achieve the best quality of execution in relation to all transactions undertaken on our clients' behalf in relation to financial instruments ("transactions"). Consequently we have in place both policies and procedures with the objective of achieving the best possible execution result, taking into account the nature of the order, client specific guidelines and the applicable market or execution venue. The policy aims to achieve the most beneficial terms practically available across a range of sometimes conflicting factors over a period of time. This is achieved by taking into account a spectrum of different aspects which are not limited only to price. Other factors including the overall cost of the transaction, the requirement for timely execution, the liquidity of the market, the size of the order and the nature of the financial transaction and whether the transaction is executed on a Regulated Market, Multilateral Trading Facility ("MTF") or over-the-counter ("OTC"). Any specific and/or general client instructions that may predetermine the manner we prioritize how to fill the client's transaction will also be taken into account. If there are no express instructions from the client we will use our own discretion to determine the factors that have to be considered to achieve best execution applying our understanding and experience of the market concerned.

Execution Process

Esemplia will take all reasonable steps with the resources and processes in place to deliver best execution. In situations where we execute transactions with a broker on either an agency or riskless principal basis, or if the broker "works" an order on our behalf, we will seek to rely on the broker to assume the responsibility of best execution. Where we receive or request a quote from a broker on a principal basis we will assume the responsibility of best execution. Best execution may also be measured over time through several transactions with the counterparty rather than through a single transaction. It requires due diligence and consideration of the following:

- (a) the character of the markets for the security (e.g. price, volatility, relative liquidity);
- (b) the size and type of transaction; and
- (c) the availability of quotation sources.

Execution Process – Roles and Responsibilities

Portfolio managers are responsible for making investment decisions and originating trade orders; they do not usually execute transactions themselves. This is the responsibility of a separate dealing function to ensure a more effective monitoring of market prices and trading activity in order to achieve best execution for client trades. Most of the client orders are market orders, however, portfolio managers have the ability to place limit orders. Before placing the order with brokers we take into account any restrictions specified by our client. Esemplia cannot invest in LM securities or securities of any affiliated company without special explicit instructions to the contrary in the client account documentation. Esemplia undertakes transactions in the international equity and currency markets. Where there is no availability in the underlying equity we may use access products such as equity linked notes, participation notes or equity swaps.

Cash management of client accounts is carried out by our clients' custodians, who typically execute the foreign exchange ("FX") transactions with reference to the settlement date of each transaction and use their own internal FX network to execute such transactions.

Our LM parent company does not operate a brokerage business and, therefore, none of our transactions are conducted through associated companies.

Commission Sharing Agreements

Since January 2006 any full service broker providing both execution and research services has been required to clearly identify what portion of their commission charge relate to execution and what portion relates to research. Esemplia has entered into Commission Sharing Arrangements ("CSA") which are consistent with Client Commission Arrangements (CCA) with broker-dealers who provide brokerage and research services, such that the research portion of the commission can be redirected to independent research houses. Such arrangements are subject to Esemplia's policy of seeking best execution and come within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

Broker Selection

Trades may only be executed with brokers who are on our Approved Broker List, which is maintained by Compliance at the instruction of the Brokerage Sub-Committee. We choose the appropriate broker according to the security we are trading. For a broker to be included in our Approved Broker List, the trader, portfolio manager or research analyst (the "sponsor") considers factors which would determine that the broker is able to offer good execution and other services in the relevant markets and/or instrument.

The following criteria are used in varying priorities case by case for each entity:

- (a) Reputation for integrity and sound financial practices;
- (b) Acceptable financial health;
- (c) Acceptable record of good and timely delivery and payment for trade settlement;
- (d) Acceptable execution approach, considering price, cost, speed and likelihood of execution, size and nature of the order;
- (e) Reliable counterparties (i.e. cooperative resolution of differences); and
- (f) Provision of good service level with information of market conditions.

Where clients direct the use of only certain brokers, we will only execute trades with brokers that are both permitted by the client and on the Esemplia Approved Broker List.

Client Directed Brokerage

Separate account clients have the ability to direct Esemplia to use certain brokers in trading for their portfolios and Esemplia will follow clients' instructions in this regard. However, the practice is discouraged as it is usually to clients' benefit to have a full range of brokers available. Additionally, clients requesting directed brokerage may not receive the benefit of block dealing where a better overall price can be obtained on transactions when bunched with other account trades.

Trade Aggregation

Wherever possible, to take advantage of execution opportunities, Esemplia will look to aggregate orders within a strategy, or across different strategies, where common securities would be transacted. As all portfolios are broadly managed in the same manner, once a decision is made it is generally taken and applied across all accounts invested in the strategy (subject to any individual mandate restrictions). Trade allocations are automated and allocated on a pro rata basis (unless the size is such that a de minimis policy applies) to ensure all clients are treated equally. Where we believe large purchases or sales will have market impact, we attempt to execute smaller orders over a number of trading days as market conditions allow.

Item 13. Review of Accounts

Portfolio Monitoring

Risk limits are monitored on an ongoing basis by both Esemplia's investment team and by the independent compliance function for our firm. All limits are monitored using the Bloomberg system. In addition to the pre-trade checks carried out by the portfolio management team, the compliance officer for our firm is also responsible for completing checks on a post trade basis (typically T+1). For those guidelines/limits where automation is not possible, the compliance officer carries out post trade checks manually at least once a week.

In addition, we apply Barra-based risk models to monitor and understand the key risk factors and exposures (e.g. beta, size, style, VaR, etc.) that our clients' portfolios are subject to. These risk models assist us in monitoring the portfolios we manage and ensuring all the accounts within a given strategy remain in line with the investment guidelines of the strategy and the parameters of the client's mandate.

Client Reporting

All clients receive regular periodic reporting in relation to the performance and positioning of the account with us. In addition to written reports, clients also receive information about their accounts verbally. While written reports are typically generated and delivered on a monthly, quarterly and annual basis, verbal reportage is typically carried out on a more ad hoc basis, as and when the client requests. In both regards, the type of information contained and delivered in the client report will cover areas such as performance information (typically over several different and applicable time frames – e.g. 1 month, 12 months, 3 years, 5 years, etc.), performance attribution, portfolio holdings information (such as top ten over/under weights), portfolio positioning (such as sector and geographic exposure), portfolio activity for the reporting period and our views regarding the outlook for the markets in which we invest.

As we are a boutique institutional investment manager we seek to tailor our reports to the specific needs of our clients. Accordingly, client's reporting requirements are discussed in detail during the client take on process. In addition to regular periodic reporting, we also seek to provide other reports/commentary for clients, covering topical events in the markets within which we invest, on an ad hoc basis.

Item 14. Client Referrals and Other Compensation

No compensation is given to clients for referrals of business.

Item 15. Custody

Esemplia does not maintain physical custody of client assets or operate as a custodian business. However, under the provisions of Rule 206(4)-2 under the Advisers Act, Esemplia may (in the very rare occasion) be deemed to have custody of client's assets because we either:

- a. Have the ability to deduct the clients fees directly from a custodian account (pursuant to client authorization); or
- b. We act as advisor and managing member for a client that is a pooled investment vehicle.

Physical custody of each client's assets is maintained with a qualified third party custodian selected by the client in an account in the client's name. "Qualified custodians" are defined under rule 206(4)-2 and generally include banks and savings associations, registered broker dealers, registered futures commission merchants and foreign financial institutions which customarily hold financial assets. Qualified custodians may charge fees that are separate from the fees Esemplia charges.

Each separate account client should carefully review the account statements from their custodian to ensure that they reflect appropriate activity in the account. Separate account clients may also receive separate accounts and reports from us. Each separate account client should compare the account statements that it receives from its qualified custodian with those that it receives from Esemplia.

Item 16. Investment Discretion

Esemplia accepts discretionary authority to manage securities accounts on behalf of its clients and substantially all of the accounts Esemplia manages are discretionary. As part of the client take on process we will review and negotiate an investment management agreement with the client, including a set of investment guidelines governing the management of the account. Amendments to these guidelines may take place on a periodic basis, with the express consent of both the client and Esemplia.

Guidelines for the accounts being managed typically outline limitations in terms of types of instruments that can be used to implement the investment strategy, minimum requirements in terms of diversification across sectors and countries, maximum holdings of cash or equivalent securities and concentration limits in terms of any one issuer.

Esemplia's practice is to commence management of an account on behalf of a client only when guidelines have been set and agreed to in writing.

Item 17. Voting Client Securities

Esemplia will accept authority to vote proxies on behalf of clients or clients may determine that they wish to retain the ability to vote themselves by directing their custodians. Where Esemplia is mandated to vote proxies, we are guided by general fiduciary principles. Our goal is to act prudently and in the best interests of our clients at all times. When voting proxies we consider all relevant factors that could affect the value of the investment and will vote in the manner which we believe is consistent with efforts to benefit, protect or maximize shareholder value in particular circumstances.

We rely on the clients' custodians as the holder of the securities to notify us when a vote is required on a security. Some custodians have delegated this to a third party proxy voting service. We are not able to vote proxies directly, however, we will notify the clients' custodians or the third party vendors of proxy voting decisions to be executed in relation to client portfolios.

Generally, we divide proxies into non-controversial, controversial, or extraordinary matters. It is our general policy on non-controversial matters, in the absence of a particular reason, to vote with management's recommendations. Non-controversial matters are deemed to include, but are not limited to, voting on non-contested directors, company auditors, audited accounts, company fiscal year and annual meeting date proposals.

For controversial or extraordinary matters, we vote on a case-by-case basis. Controversial or extraordinary matters are deemed to include, but are not limited to, voting on proposals of mergers and/or acquisitions, restructuring/recapitalization, and proposals requesting more detailed disclosure of employee compensation, especially if the company does not have a majority outside board, poison pills proposals, take-over measures, and dilution of shareholder value.

For proxies which include social, environmental, or political issues, we normally support management in the absence of a particular reason, provided that this course also supports or benefits shareholders value. If supporting management erodes any shareholder value we will vote against management or abstain from voting at all. When voting proxies we do not restrict the type of product or business a company may be seeking to pursue, nor do we seek to impose restrictions on companies by exercising voting rights in relation to whom and where they may be seeking to do business. We will only seek to intervene through the proxy voting process where there is a specific prohibition or restriction in our client's investment guidelines, a prohibition by operation of law or regulations, or unless the items appear unusual or significant.

The primary decision maker in relation to perceived controversial issues is the portfolio management team and/or the analyst responsible for covering the stock. In furtherance of our goal to vote proxies in the best interests of clients, we follow procedures designed to identify and address material conflicts which may arise between our interests and those of our clients before voting proxies.

Clients can receive information on how Esemplia has voted its securities on request.

Item 18. Financial Information

Esemplia is committed to managing its affairs in accordance with and in a manner consistent with the risk management standards as set forth by the FSA. Accordingly Esemplia undertakes an Internal Capital Adequacy Assessment Process (ICAAP) annually. The purpose of ICAAP is to ensure that the firm:

- Appropriately identifies, measures, aggregates and monitors the risks incurred by our operations;
- Possesses the capital coverage determined by internal regulations that are sufficient to cover the fundamental risks identified; and
- Has an adequate risk management system in place, which we continuously develop in accordance with the risks identified.

Additional Information

Esemplia welcomes further questions about any matter in this brochure or our firm generally.