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## **Sumitomo Mitsui Trust (Hong Kong) Limited**

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**This Brochure provides information about the qualifications and business practices of Sumitomo Mitsui Trust (Hong Kong) Limited. If you have any questions about the contents of this brochure, please contact us at (852) 2801 8813 and/or Murakami\_Kouta@smtb.jp. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Sumitomo Mitsui Trust (Hong Kong) Limited is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information to enable you to determine whether to hire or retain an adviser.**

**Additional information about Sumitomo Mitsui Trust (Hong Kong) Limited also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**[April 2, 2012]**

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## **ITEM 2 – MATERIAL CHANGES**

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This Item 2 provides clients with a summary of material changes since the last annual update of the Brochure in 2011.

No material changes to this Brochure have been made from the previous version of the Brochure. Minor changes, including updates regarding assets under management and enhancements and clarifications throughout, have been made. Clients and prospective clients are encouraged to read the Brochure in detail and contact us with any questions.

Our Brochure may be requested by contacting Kota Murakami, in the Investment Management Group, at (852) 2801-8813 or Murakami\_Kouta@smtb.jp.

Additional information about Sumitomo Mitsui Trust (Hong Kong) Limited is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4 – ADVISORY BUSINESS**

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### **Adviser's Advisory Business**

Sumitomo Mitsui Trust (Hong Kong) Limited, a company incorporated with limited liability in Hong Kong (“Adviser”), acts as the investment adviser to one or more private investment companies and/or funds (collectively, the “Funds”). Adviser may also provide direct investment management services for accredited investors and qualified clients on a discretionary basis. Adviser was established in 1978. Adviser is wholly owned by Sumitomo Mitsui Trust Bank, Limited.

### **Types of Advisory Services Adviser Offers**

As investment adviser, Adviser provides portfolio management and administrative services to the Funds and accounts (collectively, the “Portfolios”), including investigating, analyzing, structuring and negotiating potential investments, monitoring the performance of investments and advising the Portfolios as to the disposition of investment opportunities.

Adviser provides investment advisory services to Adviser's clients through the management of investment portfolios in accordance with the objectives and guidelines of the private investment companies and/or funds as stated in each private placement memorandum or in accordance with the risk profiles of individual clients. The Adviser is the investment adviser to the following Funds: The Sumitomo Trust & Banking Japan Multi Strategy Fund, The Omega Trust and SMT Multi Strategy Fund. Interests in the Funds are not registered securities under the Securities Act of 1933, as amended (the “Securities Act”). In addition, the Funds are not registered as investment companies under the Investment Company Act of 1940, amended (the “Investment Company Act”). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions pursuant to available exemptions under the Securities Act, the Investment Company Act and any applicable U.S. state securities law and pursuant to the Funds' governing documents.

### **Investment Restrictions**

Adviser tailors its advisory services to the individual needs of clients as described above. In addition, with respect to each specialized area program described above, clients may impose reasonable restrictions on the management of their accounts, including by restricting particular securities or types of investments. Clients should be aware that performance of restricted accounts may differ from performance of accounts without such impediments, possibly producing lower overall results.

### **Wrap Fee Programs**

Adviser does not participate, sponsor or act as a portfolio manager for any wrap fee programs.

## **Assets Under Management**

As of December 31, 2011, Adviser had assets under management of **USD297 million**, all of which was managed on a discretionary basis and none of which was advised on a non-discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

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### **Adviser's Basic Fee Schedule**

The specific manner in which fees are charged by Adviser is established in a client's written agreement with Adviser. Generally and pursuant to contract, fees for the management of private investment companies and/or funds will be based upon a percentage of the total assets in the account (including margined assets). Currently, Adviser receives a management fee, payable at - level ranging from 0.7% per annum to 1.5% per annum, of the net asset value of the Funds. Such management fee is calculated monthly on the basis of the net asset value of the Funds as at certain valuation dates (generally using month end net asset value and taking into account the number of days in the relevant month) and payable quarterly in arrears. The actual management fees vary among the different classes of shares of funds and managed portfolios.

Fund investors may receive more favorable terms that are not afforded to other investors, such as reduced performance fee for employees and related entities of Adviser. Currently, no external investors receive more favorable fee terms. Fund details, including the associated advisory fees, other expenses, and investment strategies, are described in each Fund's private placing memorandum.

Adviser's actual fees, minimum fees, and minimum account sizes may also be negotiated and may vary from the fees described above. A client may pay more or less fees than similar clients depending on the particular circumstances of the client, size, additional or differing levels of servicing or as otherwise agreed with specific clients. Clients that negotiate fees, including a flat fee, may end up paying a higher fee than that set forth in the fee schedules above as a result of fluctuations in the client's assets under management and account performance.

### **Calculation and Deduction of Fees**

Adviser will generally bill its management fees on a quarterly basis in arrears. Clients may elect to be billed directly for management fees or to authorize Adviser to directly debit management fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of *de minimis* contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

## **Other Fees and Expenses**

In addition to investment management fees and performance-based fees, investors in the Funds will indirectly bear any other costs charged to the Funds. Such costs will vary and typically include, though are not limited to, accounting, legal, fund administration fees and other related costs and expenses. Furthermore, Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. The impact of mark-ups and mark-downs shall also be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Such charges, fees and commissions are exclusive of and charged before Adviser's fees, and Adviser shall not receive any portion of these commissions, fees and costs.

Item 12 further describes the factors that Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **Prepaid Fees**

Adviser does not charge clients fees in advance.

## **Compensation for the Sale of Securities**

Neither Adviser nor its supervised person accept compensation for the sales of the funds managed by the Adviser, but the Adviser may accept compensation for the sale of the funds not managed by the Adviser.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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In addition to the management fees described above in Item 5, Adviser may receive a performance-based fee from each private investment fund, including the Funds, that it advises and manages. The calculation of the performance fee is described in each fund's private placement memorandum. Generally, for the Funds, each performance fee is calculated by the relevant Fund at the end of each fiscal year or upon redemption of the relevant shares part way through a year. Each performance fee is equal to twenty percent (20%) of the appreciation in the net asset value per share or unit of the relevant series of shares. The appreciation of the net asset value of the relevant series of shares is the difference between the highest net asset value per share or unit of that series as at the last valuation date in the fiscal year in any preceding year after allocation of any performance-based fee (or, if higher, or where the relevant shares or units were issued during the course of the relevant year, the subscription price of the relevant shares or units when they were acquired) (the "highwater mark") and the net asset value per share or unit of that series as at the last valuation date in the fiscal year in question or (in the case of

redemptions made during the course of such year) as at the valuation date relating to the date on which the shares or units were redeemed. Each performance fee is not subject to a hurdle.

Adviser manages funds that include a performance based fee and other client accounts that charge only a management fee. Performance based fee arrangements may create an incentive for Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Performance fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

The investment decisions for the Funds are made independently from those for other accounts managed by the Adviser. The Adviser may have other clients and other accounts with investment objectives similar to those of the Funds. The Adviser is permitted to make an investment decision on behalf of a Fund that differs from decisions made for, or advice given to, such other accounts and clients even though the investment objectives may be the same or similar, provided that the Adviser acts in good faith and follows a policy of allocating over a period of time investment opportunities to the relevant Fund on a basis intended to be fair and equitable relative to such other accounts and clients, taking into consideration the investment policies and investment restrictions to which such other accounts and clients and the Funds are subject. The Adviser is not obligated to give the Funds treatment more favorable than or preferential to that provided to such other accounts and clients.

## **ITEM 7 – TYPES OF CLIENTS**

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Adviser primarily provides portfolio management services to private investment funds and occasionally to institutional clients on a managed account basis.

Minimum investment amounts vary depending on the product type, strategy, and distributor (where appropriate). In addition, Fund investors may need to satisfy other eligibility criteria.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **General Investment Strategies and Methods of Analysis**

The Adviser seeks capital appreciation based on the objectives and terms set out in client's investment management agreement, each fund's prospectus, or offering memorandum. The Adviser adheres to a long-term strategic approach while seeking to meet the investment objectives of income and capital appreciation.

The private investment companies and/or funds and other accounts managed by Adviser seek high, total returns on a risk-adjusted basis, with low volatility and correlation to the broader markets. The Portfolios' primary investment objective is to maximize total return via current income and capital appreciation. Under normal market conditions, the Portfolios will invest in a

diversified portfolio of securities, currencies, commodities and derivative instruments depending on each individual fund's requirement. The Portfolios may sell short certain securities or indexes for hedging purposes and/or to enhance returns. Investments may also be made in various other derivative instruments, including options and swaps.

The Adviser uses qualitative and quantitative proprietary and third party research and proprietary analytical modeling systems to gain capital appreciation. The Adviser and/or third party researcher(s) performs credit analysis of debt issuers and seeks to maintain a diversified portfolio to limit exposure to any given credit. The Adviser and/or third party researcher(s) also analyzes macro economic cycles and structural adjustments as part of the asset allocation decision.

However, as discussed below, investing in securities and other investment products involves risk of loss that clients should be prepared to bear.

### **Material Risks for Significant Investment Strategies**

While it is the intention of Adviser to implement strategies which are designed to minimize potential losses suffered by its clients (e.g., the Funds), there can be no assurance that such strategies will be successful. The market exposure level of each Fund can vary significantly over time and any increase or decrease in market exposure level at any time can cause significant loss of capital. The Funds' investment programs may include such investment techniques as short sales, leverage, illiquid investments and limited diversification which practices can, in certain circumstances, maximise the adverse impact to which the Fund's investments may be subject. It is possible that a client may lose a substantial proportion or all of its assets in connection with investment decisions made by Adviser.

The following risk factors, which relate to an investment in the Fund(s), do not purport to be complete but should be considered carefully by investors.

**Risk of Concentration of Investments** - The Fund's investments may be concentrated in only a very few trading strategies. The assets of the Fund may be invested in a relatively small number of positions and this lack of diversification may subject the Fund's investments to more rapid change in value than would otherwise be the case if the assets were more widely diversified.

**Risk of Investment in Equity Securities** - The risk associated with investments in equity securities include fluctuations in market prices and events adversely affecting a specific issuer and the fact that equity interests are subordinate in the right of payment to other corporate securities, for example, debt securities.

**Leveraged loan market** – Movements in the leverage loan market, such as the primary and secondary pricing (whether driven by fundamental or technical reasons), issuance volume, trading activities and default and recovery rates, etc., may have an impact on the trade price, issuance volume and equity returns, etc. of CLOs.

**Liquidity Risk** - Liquidity relates to the ability of Adviser to sell an investment or to cover a short position in a timely manner. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investment of the Fund's assets in relatively



illiquid securities may restrict the ability of Adviser to dispose of the Fund's investments at a price and time that it wishes to do so. Futures positions may be illiquid because, for example, some exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuations" or "daily limits". Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken or liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prohibit Adviser from promptly liquidating unfavourable positions and subject the Fund to losses. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such contracts, and the bid and offer prices will be established solely by dealers in these contracts. Investments in non-marketable securities carries liquidity risk. In addition, such securities are difficult to value and the issuers are not subject to the rules of a regulated market for the protection of investors.

**Business Dependent Upon Key Individuals** - All investment decisions with respect to the Fund's assets will be made by Adviser. Investors will have no right or power to take part in the management of the Fund. As a result, the success of the Fund for the foreseeable future will depend largely upon the capability of Adviser. There is no assurance that the strategies to be employed by Adviser for the account of the Fund will achieve attractive returns or will be successful. Additionally, should the key individuals of Adviser leave, die or become otherwise incapacitated for any period of time, profitability of the Fund's investments may suffer.

**Counter Party Risks and Settlement Risks** - The Fund will be exposed to a credit risk on parties with whom Adviser trades for the account of the Fund and will also bear the risk of settlement default.

**Short Sales** - Adviser may engage in "short sales" for the account of the Fund, that is, the practice of selling securities which are borrowed from a third party. Adviser will be required to return, at the lender's demand, securities equivalent to those borrowed for the short sale. Pending the return of such securities, Adviser will be required to deposit with the lender as collateral the proceeds of the short sale plus additional cash or securities; the amount of the required deposit will be adjusted periodically to reflect any change in the market price of the security which Adviser is required to return to the lender.

The possible losses to the Fund from a short sale of a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities may be subject to restrictions imposed by the securities laws and the rules of various securities exchanges.

**Stock Borrowing** - Adviser may borrow securities for the account of the Fund on terms that such securities may be recalled by the lender at short notice. If the securities are recalled, Adviser may be required to unwind a strategy early, which may result in losses. Adviser will endeavour to borrow non-recallable stock where possible.

Foreign Currency Markets – A certain currency unit will have exposure to fluctuations in currency exchange rates to the extent that the Fund invests in obligations denominated in currencies other than that particular currency. Adviser, on behalf of the Fund, may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are affected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

Leverage and Interest Rates - Adviser may, on behalf of the Fund, borrow funds from brokerage firms, banks and other financial institutions in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which Adviser can borrow will affect the operating results of the Fund.

Absence of Secondary Market - There may not be any secondary market for the Funds. Consequently, in such case, investors will be able to dispose of their investment only according to realization terms defined in the Prospectus. The risk of any decline in the Net Asset Value of the Funds held by an investor giving a realisation request during the period from the date of such request until the relevant Dealing Day will be borne by the investor requesting the realisation.

Possible Effect of Realisations - Substantial realisations of investments by investors could require Adviser to liquidate Investments of the Funds at substantial discounts or losses, or more rapidly than otherwise desirable to raise the necessary cash to fund the realisations.

There is no guarantee that in any time period, particularly in the short term, a client's portfolio will achieve appreciation in terms of capital growth or that a client's investment objective will be met by Adviser. Clients must also pay attention to risks discussed in the Funds' private placing memoranda.

### **Material Risks for Particular Types of Securities**

Adviser does not recommend primarily particular types of securities. The material risks involved in Adviser's general investment strategies are described above.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an adviser or the integrity of the adviser's management. Adviser has no information applicable to this Item.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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### **Broker-Dealer Registration**

Adviser and Adviser's management persons are not registered with the Securities and Exchange Commission ("SEC") as a broker-dealer or registered representatives, respectively.

### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

Adviser is not registered with the Commodity Futures Trading Commission ("CFTC") as a futures commission merchant ("FCM"), a commodity pool operator ("CPO") or a commodity trading advisor ("CTA").

### **Other Material Relationships**

Adviser is a wholly-owned subsidiary of Sumitomo Mitsui Trust Bank, Limited ("SMTB"), a leading Japanese trust bank whose parent is Sumitomo Mitsui Trust Holdings Inc., a holding company with various subsidiaries, including other financial services companies. SMTB acts as investment adviser for STB Japan Long-Short Fund I and STB Japan Long-Short Fund I Alpha. In addition, Adviser provides private equity advisory services to SMTB. Adviser may have relationships with or enter into transactions with these affiliated companies, which could create actual and perceived conflict of interests.

To manage potential conflicts of interest, Adviser has implemented policies and internal control systems aimed at treating all clients fairly and equally and preventing conflicts in the allocation of investment opportunities.

### **Other Financial Industry Activities or Affiliations**

Adviser has relationships or arrangements with certain third-party investment advisers. From time to time Adviser may, with prior client consent, and to the extent permitted by applicable law, delegate some or all of our responsibilities, duties and authority under an agreement to one or more of such third-party investment advisers. Currently, Adviser does not receive compensation directly or indirectly from other investment advisers.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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### **Code of Ethics**

Adviser has adopted a Code of Conduct handbook (the "Code of Conduct") which sets out the standards all staff members of adviser subject to. Adviser also has adopted a Personal Account Dealing (PAD) Rules (the "PAD") which sets out to declare the trading accounts and to monitor the trading activities by staffs in order to avoid the conflict of interest.

The purpose of the PAD is to assure that personal transactions do not conflict with client transactions and that in any situation where the potential for conflict exists, client interests take precedence. Staffs must not misuse their job function to acquire personal economic benefits.

Employees may not reveal any information to any other person (except in the normal course of his or her duties on behalf of clients) regarding securities transactions by clients or consideration by Adviser of any such securities transaction.

Employees may not recommend any securities transaction for clients without having disclosed his or her interest, if any, in such securities or the issuer thereof, including without limitation (i) his or her direct or indirect beneficial ownership of any securities of such issuer; (ii) any contemplated transaction by such person in such securities; (iii) any position with such issuer or its affiliates; and (iv) any present or proposed business relationship between such issuer or its affiliates, on the one hand, and such person or any party in which such person has a significant interest, on the other.

All investment personnel shall obtain approval before directly or indirectly acquiring beneficial ownership in any securities in an initial public offering or a limited offering.

In addition, each staff must declare semi-annually that he or she has complied with the requirements of the PAD and that he or she disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the PAD.

### **Participation or Interest in Client Transactions and Associated Conflicts of Interest**

Persons related to Adviser including officers, directors and employees may buy, sell, and/or have a financial interest in securities recommended to clients. Such persons may buy, sell, or have a financial interest in such securities by investing directly in the Funds, or otherwise through independent transactions in personal accounts subject to Adviser's Code of Conduct, PAD and employee trading supervision described below. Potential conflicts of interest in connection with such transactions are generally disclosed to clients herein and otherwise.

The potential conflicts of interest involved in any such transactions are generally governed by Adviser's Code and PAD. Pursuant to the stipulations of the Code and PAD, Adviser or a related person may buy or sell for itself securities that it also recommends to clients. The potential conflicts of interest involved in such transactions are governed by the Code and PAD, which establishes sanctions if its requirements are violated and requires that Adviser and employees place the interests of Adviser's clients above their own.

### **Investments in Securities by Adviser and its Personnel**

Adviser and its personnel may invest in the same or similar securities and investments as those recommended to or entered into on behalf of Adviser's clients. The results of the investment activities of Adviser's account may differ from the results achieved by or for client accounts managed by Adviser. The conflicts raised by these circumstances are discussed below.

All of Adviser's personnel are subject to Adviser's policies and procedures regarding confidential or proprietary information, the information barriers and personal trading. In addition, Adviser has additional policies and procedures relating to certain personal securities transactions by Adviser's personnel which Adviser deems to involve potential conflicts including conflicts involving Adviser's personnel and client accounts managed by Adviser. See discussion above.

#### Conflicts Associated with Investment Activities

Adviser has potential conflicts in connection with the allocation of investments or transaction decisions for its own accounts, including in situations in which Adviser and its personnel have interests. For example, a client's account may be competing for investment opportunities with Adviser's own accounts. Adviser will manage its clients' accounts in accordance with their respective investment objectives and guidelines. However, the advice to Adviser's own accounts may compete or conflict with the advice Adviser may give to a client's account, including with respect to the return of the investment, the timing or nature of action relating to the investment or the method of exiting the investment.

Adviser's own accounts may buy or sell positions while a client's account is undertaking the same or a differing, including potentially opposite, strategy, which could disadvantage the client's account. For example, a client's account may buy a security and Adviser's own account may establish a short position in that same security. That subsequent short sale may result in impairment of the price of the security which the client's account holds. Conversely, a client's account may establish a short position in a security and Adviser or Adviser's own account may buy that same security. The subsequent purchase may result in an increase of the price of the underlying position in the short sale exposure of the client's account and such increase in price would be to the client's account's detriment. Conflicts may also arise because portfolio decisions regarding a client's account may benefit Adviser. For example, the sale of a long position or establishment of a short position by a client's account may impair the price of the same security sold short by (and therefore benefit) Adviser and Adviser's own accounts, and the purchase of a security or covering of a short position in a security by a client's account may increase the price of the same security held by (and therefore benefit) the Adviser and Adviser's own accounts.

Transactions in investments by one or more Adviser's accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly, but not limited to, emerging market or less liquid strategies. For example, this may occur when portfolio decisions regarding a client's accounts are based on research or other information that is also used to support portfolio decisions for Adviser's accounts or other client accounts. When Adviser, on behalf of one or more client accounts implements a portfolio decision or strategy ahead of, or contemporaneously with, similar portfolio decisions or strategies for a client's account (whether or not the portfolio decisions emanate from the same research analysis or other information), market impact, liquidity constraints, or other factors could result in the client account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased or the client account could otherwise be disadvantaged. Adviser may, in certain cases, elect to implement internal

policies and procedures designed to limit such consequences, which may cause a client's account to be unable to engage in certain activities, including purchasing or disposing of securities, when it might otherwise be desirable for it to do so.

Adviser may, but is not required to, aggregate purchase or sale orders for client accounts with trades for other accounts managed by Adviser, including accounts of other clients. When orders are aggregated for execution, it is possible that Adviser and its personnel's interests will receive benefits from such transactions, even in limited capacity situations. While Adviser maintains policies and procedures that it believes are reasonably designed to deal with conflicts of interest that may arise in certain situations when purchase or sale orders for a client's account are aggregated for execution with orders for accounts of other clients, in some cases Adviser will make allocations to accounts in which the Adviser and its personnel have an interest.

Adviser's own accounts and one or more client accounts may also invest in different classes of securities of the same issuer. As a result, Adviser and Adviser's own accounts may pursue or enforce rights with respect to a particular issuer in which a client's account has invested, and those activities may have an adverse effect on the client's account. For example, if an Adviser's own account holds debt securities of an issuer and another client's account holds equity securities of the same issuer, then if the issuer experiences financial or operational challenges, the Adviser's own account which holds the debt securities may seek a liquidation of the issuer, whereas the client's account which holds the equity securities may prefer a reorganization of the issuer. In addition, Adviser may also, in certain circumstances, pursue or enforce rights with respect to a particular issuer jointly on behalf of one or more Adviser's own accounts or client's accounts, or may work together to pursue or enforce such rights.

Certain clients' accounts may be negatively impacted by Adviser's activities, including those on behalf Adviser's own accounts and activities and transactions for such clients' accounts may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had Adviser's own accounts not pursued a particular course of action with respect to the issuer of the securities. In addition, in certain instances Adviser's personnel may obtain information about the issuer that would be material to the management of Adviser's own accounts that could limit the ability of such personnel to buy or sell securities of the issuer on behalf of clients' accounts.

Transactions undertaken by Adviser's clients may also adversely impact one or more client accounts. Other clients of the Adviser may have, as a result of receiving client reports or otherwise, access to information regarding Adviser's transactions or views that may affect their transactions outside of accounts controlled by Adviser, and such transactions may negatively impact other clients' accounts. A client's account may also be adversely affected by cash flows and market movements arising from purchase and sale transactions by, as well as increases of capital in and withdrawals of capital from, other clients' accounts. These effects can be more pronounced in less liquid markets.

The results of the investment activities of a client's account may differ significantly from the results achieved by Adviser for its proprietary accounts and from the results achieved by Adviser for other client accounts.

## **Trading Alongside by Adviser and its Personnel**

Client accounts managed by Adviser may trade in the same or similar securities as Adviser's own accounts at or about the same time. Investments by Adviser's own accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly in small capitalization, emerging market or less liquid strategies. This may occur when portfolio decisions regarding a client's account are based on research or other information that is also used to support portfolio decisions for Adviser's own accounts. If a portfolio decision or strategy for Adviser's own accounts is implemented ahead of, or contemporaneously with, similar portfolio decisions or strategies for a client's account, market impact, liquidity constraints, or other factors could result in the client's account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased.

## **ITEM 12 – BROKERAGE PRACTICES**

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### **Broker-Dealer Selection**

Adviser has full discretion to select brokers or dealers as well as the commission rates at which the transactions for clients are effected. It is Adviser's policy to seek best execution at the best price available with respect to each transaction, in light of the overall quality of brokerage and research services provided to it or its clients. The best price means the best net price without regard to the mix between purchase or sale price and commissions. In selecting broker-dealers, and in negotiating commissions, Adviser considers a variety of factors, including best price and execution, the full range of brokerage services provided by the broker, as well as its capital strength and stability, and the quality of the research and research services provided by the broker.

In determining the abilities of a broker or dealer to obtain best execution for portfolio transactions, Adviser will consider all relevant factors, including the execution capabilities required by the transactions; the ability and willingness of the broker or dealer to facilitate the portfolio transactions by participating therein for its own account; the importance to the account of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived soundness of the broker or dealer; as well as other matters relevant to the selection of a broker or dealer for portfolio transactions for any account. Adviser will not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions, but will weigh a combination of the preceding factors.

Adviser will have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of the investment companies. Although Adviser will generally seek competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher

commissions or their equivalents than would be the case with other transactions requiring more routine services.

### **Research and Other Soft Dollar Benefits**

In the ordinary course of business adviser receives research reports from broker-dealers and considers factors such as the usefulness and amount of the research as part of its broker-dealer evaluation process. Consistent with obtaining best execution, brokerage commissions on client portfolio transactions may be directed to brokers in recognition of research services furnished by them, as well as for services rendered in the execution of orders by such brokers.

As a general matter, such research services are used to service all of Adviser's clients. However, each and every research service may not be used to service each and every client managed by Adviser, and brokerage commissions paid by one account may apply towards payment for research services that may not be used in the service of that account. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

There is no agreement or formula for the allocation of brokerage business on the basis of research services, except that certain brokers that provide specified statistical and performance measurement services state in advance the amount of brokerage commissions they require for such services. Adviser may, in its discretion, cause the client to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where Adviser has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, Adviser would not be required to place or attempt to place a specific dollar value on the brokerage or research services provided by such broker.

When allocating trades to clients, Adviser must ensure that over time each client is treated fairly and equitably in the execution of transactions. Therefore, trading personnel must ensure that, over time:

- Clients are treated fairly as to the securities purchased or sold for their accounts;
- Clients are treated fairly with respect to the priority of execution of orders;
- Clients are treated fairly in the allocation of trades;
- Allocation of trades is done on a timely basis; and
- All accounts participating in an aggregated order receive average price and share transaction costs pro-rata.

### **Brokerage for Client Referrals**

Adviser may direct brokerage to particular brokers in consideration for client referrals. However, currently we do not have any such arrangement.



## **Directed Brokerage**

Adviser generally has the discretionary authority to determine and direct execution of portfolio transactions within the client's specified investment objectives without prior consultation with the client on a transaction-by-transaction basis.

Some clients, however, may limit Adviser's discretionary authority in terms of the selection of broker-dealers or other terms of brokerage arrangements and may direct Adviser to place transactions for their accounts with a particular broker-dealer, to, among other things, defray consulting fees or other fees. Where a client directs the use of a particular broker-dealer, Adviser may be unable to achieve most favorable execution of client transactions and the client may pay more in execution fees than if Adviser was permitted to choose the executing broker. In such cases, Adviser may not have as much discretion in determining the terms of how an order will be handled with such broker-dealer and may not be able to freely negotiate commission rates. In addition, Adviser may not be able to aggregate the client's orders with other client orders to reduce transaction costs. As a result, designating use of a particular broker-dealer may cause a client to pay higher commissions or receive less favorable net prices than would be the case if Adviser were authorized to choose the broker-dealer through which to execute the transaction for the client's account. Lastly, in an effort to achieve orderly execution of transactions, execution of orders for clients that have designated particular brokers may, in certain circumstances, be delayed until after Adviser completes the execution of non-designated orders.

## **Aggregation of Trades**

Adviser has the fiduciary duty to execute orders for its clients fairly and equitably. Adviser follows written procedures pursuant to which it may, for clients who permit it, and to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients (sometimes called "bunching") so that they can be executed at the same time. The participating accounts that may be bunched in an order may include both client accounts as well as Adviser's own accounts. The procedures followed by Adviser may differ depending on the particular strategy or type of investment. Adviser is not required to bunch or aggregate orders if: (1) portfolio management decisions for different accounts are made separately; or (2) Adviser determines that bunching or aggregating is not practicable. Adviser may be able to negotiate a better price and lower commission rate on aggregated trades than on trades for accounts that are not aggregated. Where transactions for a client's account are not aggregated with other orders, it may not benefit from the better price and lower commission rate. Because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in the Adviser's discretion, be averaged and accounts will be charged or credited with the average price. The effect of such aggregation may operate on some occasions to an account's disadvantage.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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### **Review of Accounts**

Client portfolios are reviewed on a continuous basis by the investment team and the team in charge of fund compliance. These reviews are designed to monitor and analyze the transactions, positions, and investment levels. Particular attention may be given to changes in company fundamentals, industry outlook, market outlook, and price levels. Generally, these reviews are performed by managers and compliance officer and/or directors of Adviser.

### **Monitoring**

#### **Daily Reviews**

Portfolios are reviewed by Investment Management Group (“IMG”), settlement team, and compliance personnel on a daily basis. IMG review the cash position and security holdings for the products they are responsible. Settlement team and compliance personnel monitor portfolios across a number of risk factors and ensure that portfolios are being managed in accordance with applicable investment guidelines and restrictions.

#### **Monthly Reviews**

Portfolio return and risk characteristics for all accounts are reviewed on a monthly basis and reported to the Management. Monthly performance review meetings are held.

### **Reconciliation**

Reconciliation is carried out on a daily basis for accounts managed by adviser. Trade confirmations are received from brokers and statements are received from custodian, the reports are reconciled to adviser’s internal records. Reconciliation of cash statements is also undertaken on a daily basis. Any discrepancies found during the reconciliation process are fully investigated, addressed and resolved in a timely matter, with full documentation.

### **Factors Triggering a Review**

Adviser also performs reviews of its client’s accounts as appropriate based on, among other things, changes in market conditions security positions or changes in a client’s investment objectives or policies, or in response to a request by a client for a meeting or the occurrence of such meeting.

### **Client Reports**

Adviser prepares and provides to clients written newsletters on a monthly basis to report fund data and performance in accordance with the requirements set out in each individual investment management agreement. These newsletters generally include, among other things, performance overview for the relevant period and since inception, account risk characteristics, financial market review, and commentary on the performance attribution for the relevant reporting period.

Each investor is also provided with audited financial statements following the end of the fiscal year.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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##### **Other Compensation**

No person who is not a client of Adviser provides an economic benefit to Adviser for providing investment advice or other advisory services to Adviser's clients.

##### **Compensation for Client Referrals**

Adviser has entered into at least one agreement whereby a party unaffiliated with Adviser would be entitled to compensation in the event that it successfully solicits clients on Adviser's behalf.

#### **ITEM 15 – CUSTODY**

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We note that, with respect to non-U.S. clients, such as the Funds, Adviser would generally not be subject to U.S. regulation under the "regulation lite" regime, under which a non-U.S. adviser is permitted to treat each non-U.S. fund as its "client" for all purposes of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), except for certain registration and reporting sections. The investors in the Funds are not treated as Adviser's clients for these purposes. As a result, most of the substantive provisions of the Advisers Act, including rules relating to custody, would not apply to Adviser with respect to the non-U.S. funds that it manages. Adviser and the custodians will, however, be subject to the laws and regulations in their countries of residence.

Adviser's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Adviser urges its clients to carefully review the custodial statements and compare them to the account statements that Adviser may provide to them.

#### **ITEM 16 – INVESTMENT DISCRETION**

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Adviser usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular portfolio.

When selecting securities and determining amounts, Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Adviser in writing.

## **ITEM 17 – VOTING CLIENT SECURITIES**

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### **Proxy Voting Policies – Authority to Vote**

#### **Proxy Voting Policies – No Authority**

On behalf of its U.S. clients, which for purposes of this Item 17 do not include U.S. investors in the Funds (if any), Adviser invests in securities issued by both public and private issuers. In relation to these investments, Adviser has the authority to vote proxies. Adviser has adopted and implemented written policies and procedures reasonably designed to ensure that it votes proxies for client securities in the best interest of clients and address material conflicts that may arise between its interests and those of its clients relating to proxy voting. Proxy voting decisions are the responsibility of the portfolio managers and are made in accordance with Adviser's proxy voting policies and procedures.

In accounts where Adviser votes proxies, Adviser will determine to vote a proxy depending on, among other things, the cost of analyzing the proxy compared to the expected benefit of the vote to its clients, the subject of the proxy and the size of the position the clients hold in the issuer (proxies of issuers in which clients hold a small position are less likely to be voted than those for issuers in which clients have made a controlling investment). In determining how to vote individual proxies, Adviser shall take into account the best interests of its clients as well as any potential conflicts of interest among its clients and Adviser or its affiliates. Adviser or its delegate shall make and keep a written record of how all proxies have been voted on behalf of clients. Adviser is responsible for identifying any potential conflicts of interest that may arise in the proxy voting process.

Examples of conflicts may include situations where Adviser or its affiliates have a material business relationship with a proponent of a proxy proposal, which may influence how the vote is cast, or has a business or personal relationship with participants in a proxy contest, directors, or candidates for directorships (other than by virtue of Adviser employee's status as a director of the company). Adviser will refer any such conflicts of interest to the designated principals for resolution.

Adviser will retain (i) its proxy voting policies and procedures; (ii) proxy statements received regarding client securities (Adviser may rely on proxy statements filed on the SEC's EDGAR system instead of keeping its own copies); (iii) records of votes cast on behalf of clients; (iv) records of clients requests for proxy voting information, and (v) any specific documents Adviser prepared that were material to making a decision how to vote, or that memorialized the basis for the decision. Adviser's proxy voting policies and procedures and information on how specific proxies were voted is available to clients and investors upon request.

We note that the procedures and policies regarding proxy voting described above would generally apply only to Adviser's U.S. clients under the regulation lite regime described above under Item 15. However, Adviser has generally similar procedures and policies for its non-U.S. clients, such as the Funds. In addition, Adviser will be subject to the laws and regulations regarding proxy voting in its country of residence.

## **ITEM 18 – FINANCIAL INFORMATION**

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Registered investment advisers are required in this Item 18 to provide you with certain financial information or disclosures about their financial condition. Adviser does not require prepayment of any fees, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Accordingly, no financial statements are required to be provided by Adviser to its clients and prospective clients.

## **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

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Advisers who are registered or are registering with state securities authorities are required in this Item 19 to provide clients with certain information about their business and management teams. Adviser is federally registered and is therefore not required to complete this Item 19.