



# Charlemagne Capital

## ADV PART 2A

CHARLEMAGNE CAPITAL (UK) LIMITED

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This brochure provides information about the qualifications and business practices of Charlemagne Capital (UK) Limited. If you have any questions about the contents of this brochure, please contact us at 442075182100 or [compliancegroup@charlemagnecapital.com](mailto:compliancegroup@charlemagnecapital.com). 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. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Charlemagne Capital (UK) Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

1. Under Advisory Business, date and figures have been updated.

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## 1. Advisory Business

The Charlemagne Capital Group (the “Group”) is an independent investment management group. Shares in Charlemagne Capital Limited (“CCL”), the Group’s Cayman Islands parent, are publicly held and were admitted to trading on the AIM market of the London Stock Exchange in April 2006. CCL is the 100% owner of Charlemagne Capital (UK) Limited (“CCUK”) and its sister company Charlemagne Capital (IOM) Limited (“CCIOM”).

CCUK, based in London, provides investment advice and marketing services, CCIOM, based in the Isle of Man, provides investment management services for the Group. CCUK is typically appointed via an internal delegation agreement for the provision of investment advice to CCIOM in respect of the Group’s clients.

CCUK was incorporated in 1995 and is regulated by the UK Financial Services Authority, FRN 172999, and is authorised to undertake activities as dictated by its ‘Scope of Permissions’ as well as being registered as an investment adviser in the United States with the SEC under Section 203(c) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). CCIOM is also registered as an investment adviser with the SEC.

The Group’s principal activity is investment management in global emerging markets, providing a range of investment management and advisory services in respect of mutual funds, specialist funds, private equity vehicles, institutional pooled and segregated portfolios.

CCUK does not provide services to retail investors.

Advisory services provided are tailored according to the needs of each of the Group’s clients and as specified by each investment mandate and where applicable as set out in a fund’s offering document or a segregated account’s investment guidelines.

CCUK does not participate in wrap fee programs.

As of 31 December 2011, the Group managed the following client assets:

Discretionary basis: USD 2,114,991,734

Non-discretionary basis: USD 214,214,017

## **2. Fees and Compensation**

CCUK charges advisory or management fees.

CCUK is typically paid a portion of any management fee paid to CCIOM, equal to a specified percentage of the assets of a client's portfolio. Otherwise, CCUK will be paid a fee equal to a specified percentage of the assets of a client's portfolio.

CCUK may additionally receive a performance fee from a client. Fees may be negotiable and can vary.

CCUK may appoint sub-distributors for the purpose of introducing potential investors into client funds via a contract which defines a fee rebate payable to the sub-distributor.

Client fees are charged as set out in the relevant investment management agreement, investment advisory agreement or offering memorandum.

Clients are not required to pay fees in advance.

None of CCUK's supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **3. Performance Based Fees and Side-By-Side Management**

CCUK may charge a performance-based fee.

Where the assets of the Group's clients are managed in accordance with the same strategy, strict controls are in place to ensure that all portfolios are managed, and in particular that all investment decisions are applied, equitably without regard to charging structure. A written policy on the allocation of aggregated orders is consistently applied.

Performance-based compensation may create an incentive to take action that is riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated will include unrealized appreciation and depreciation of investments that may not ultimately be realized.

#### **4. Types of Clients**

CCUK provides investment advice and may provide investment management services in respect of a range of mutual funds and to other financial institutions. It does not provide advice or other services directly to retail investors, though its institutional clients may deal direct with retail investors.

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

The Group manages client assets using a bottom-up stockpicking process that relies on intensive, on-the-ground qualitative research and disciplined, price-focused financial modelling. This investment process draws heavily upon the experience and expertise of the Group's portfolio advisers within CCUK.

The Group manages only emerging market assets, with a variety of investment strategies designed to meet the needs of its clients. Most strategies are equity-based, though there may be some exposure to property and bonds. Equity strategies include a range of UCITS compliant long-only mutual funds as well as a long/short hedge fund. The Group also manages pooled and segregated accounts for institutional clients. Strategies may be global, regional or country-specific.

Investing in emerging markets involves risks that clients should be prepared to bear. Detailed information is generally given in the relevant prospectus or investment management agreement. Investors are however exposed to the following risks.

Administrative Risk is the risk that the operational structures and procedures put in place to ensure adherence to an investment mandate fail. The Compliance Department monitors this using daily reports that detail any potential breaches. All breaches are monitored closely and followed up systematically. Order generation, execution and settlement are segregated functions. Any order generated is processed and checked for compliance, availability and liquidity issues. A portfolio adviser within CCUK then reviews and agrees an order before it is passed to the dealer based within CCIOM who then executes the trade. The Settlements department within CCIOM, later performs a reconciliation of instruction and execution.

Market Risk is the risk that unforeseen developments in the financial markets or elsewhere have a negative impact on investment performance, as a result of speed, severity or other factor. Members of the investment team review market conditions on a regular basis to assess whether any changes are required to stock price targets or portfolio construction.

Portfolio risk concerns portfolio construction and the likely variability of the return generated by the portfolio, often with respect to a stated benchmark. This is the responsibility of the Group's Risk Manager within CCUK.



## **6. Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of CCUK's advisory business or the integrity of CCUK's management.

## **7. Other Financial Industry Activities and Affiliations**

CCUK's sister company, CCIOM, typically appoints CCUK to provide investment advice via an internal delegation agreement.

CCIOM, based in the Isle of Man, provides investment management services for the Group.

CCIOM was incorporated in 1996 and is licensed by the Isle of Man Financial Supervision Commission as well as being registered as an investment adviser in the United States with the SEC under Section 203(c) of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

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

CCUK's Compliance Manual (the "Manual") governs the personal securities transactions of its personnel and also sets out the Code of Ethics. Clients or prospective clients may contact the Compliance Department via e-mail ([compliancegroup@charlemagnecapital.com](mailto:compliancegroup@charlemagnecapital.com)) or telephone (442075182100) to request a copy of the relevant Manual content.

CCUK restricts its personnel from trading in securities that are being considered for purchase or sale for a client and requires personnel to obtain pre-clearance of securities transactions and the reporting of personal securities holdings and transactions periodically. Should it be the case that at any stage a member of personnel wishes to purchase or sell stock held by any of the Group's clients ahead of any transactions to be carried out on the clients behalf, a clear time separation must be demonstrated before approval will be considered. The best interest of the client always takes precedence.

The Manual contains other provisions required by Rule 204A-1 under the Advisers Act. The Manual describes the fiduciary obligations of CCUK and its personnel, and requires CCUK's personnel to comply with applicable federal securities laws and to report any violations of the Manual to CCUK's Chief Compliance Officer.

## 9. Brokerage Practices

### a) Broker Selection

CCUK does not execute client orders, this is the responsibility of CCIOM.

- CCIOM maintains the list of approved brokers.
- CCIOM uses only the brokers on this list, which it reviews regularly.
- CCIOM requires its counterparties to be creditworthy and approves brokers on this basis.
- Broker exposure is monitored.
- CCIOM operates a system of transaction cost analysis to assess broker performance and may target commissions with selected brokers.
- In determining which broker to use for a specific trade, CCIOM operates a policy of best execution, taking into account such factors as price, order size, likelihood of execution and settlement, speed and costs. Where CCIOM executes orders in shares of less liquid companies, the ability to execute the order in the required volume is often the key factor determining execution. In practice this may mean that only a single broker is capable of delivering the required volume.

### b) Soft-Dollar Arrangements

CCUK does not undertake any soft dollar arrangements, nor does CCIOM and neither specifically pays commissions to receive research or other services from brokers. Any incidental research or other services received from brokers is used for the benefit of all clients.

### c) Brokerage for Client Referrals

CCUK does not select brokers, this is the responsibility of CCIOM which does not consider client referrals from brokers when selecting brokers.

### d) Directed Brokerage

CCUK is not party to directed brokerage. Furthermore, CCIOM does not accept directed brokerage. If any client recommends the use of a specific broker, that broker will only be used if such use is consistent with the policy of best execution.

### e) Trade Aggregation

CCUK does not trade for its clients, this is the responsibility of CCIOM. CCIOM aggregates trades for the benefit of the Group's clients. Aggregated trades are allocated according to a policy that aims to be equitable for all clients. Allocation is determined before trading. The Group's own account trades are not aggregated with client trades unless clients are not disadvantaged.

## **10. Review of Accounts**

### **a) Client Account Reviews**

The portfolio advisers within CCUK, together with CCIOM, continuously monitor and review client portfolios as part of an effective investment management process.

### **b) Client Reports**

The Group's institutional clients generally receive monthly, quarterly and/or annual written performance reports; the frequency and nature of any reporting usually forms part of the relevant investment management or advisory agreement.

Regular monthly reporting is available for mutual funds.

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

CCUK may appoint sub-distributors for the purpose of introducing potential investors to client funds via a contract which defines any fee e.g. management fee rebate payable to the sub-distributor calculated on a case by case basis. CCUK does not comply with the Advisers Act regarding cash payments for client solicitations with respect to non-U.S. Clients.

## **12. Custody**

CCUK does not retain custody of client assets. Clients receive account statements directly from the custodian or administrator appointed by the client.

### **13. Investment Discretion**

CCUK's levels of investment discretion are clearly defined in any investment advisory or investment management agreement. However, the Group generally manages client assets on a discretionary basis. Clients may impose restrictions, limitations or other requirements.



## 14. Voting Client Securities

CCUK has adopted Proxy Voting Policies and Procedures that are designed to ensure that CCUK votes proxies with respect to client securities in the best interests of its clients. CCUK also identifies and addresses conflicts of interest between CCUK and its clients. If a material conflict of interest exists, CCUK will determine whether voting in accordance with the guidelines set forth in these procedures is in the best interests of the client or take some other appropriate action.

CCUK generally votes in favour of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated). Generally, CCUK will vote against proposals that make it more difficult to replace members of a board of directors.

For all other proposals, CCUK will determine whether a proposal is in the best interests of the Group's clients and may take into account the following factors, among others:

- (i) whether the proposal was recommended by management, and CCUK's opinion of management
- (ii) whether the proposal acts to entrench existing management; and
- (iii) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of CCUK's Proxy Voting Policies and Procedures and information about how CCUK voted a client's proxies upon request to the Compliance Department via telephone: (441624640200) or e-mail ([compliancegroup@charlemagnecapital.com](mailto:compliancegroup@charlemagnecapital.com)).

## **15. Financial Information**

CCUK does not suffer any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.