

Brochure



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Introduction

Harvest Global Investments Limited (“HGI”) is a Hong Kong company licensed under the Hong Kong Securities and Futures Ordinance to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities, and is regulated by the Hong Kong Securities and Futures Commission (the “SFC”). HGI is also registered as an investment adviser under the US Investment Advisers Act of 1940 (the “Advisers Act”) and regulated by the US Securities and Exchange Commission (the “SEC”). This brochure provides information about the qualifications and business practices of HGI. If you have any questions about the contents of this brochure, please contact us at +852 3913 3333. The information in this brochure has not been approved or verified by the SEC or any or by any state or foreign securities authority. Registration does not imply that HGI, or its associates, have attained a certain level of skill or training.

We encourage you to visit the SEC’s Investment Adviser Public Disclosure (IAPD) for more information about HGI. The IAPD web address is: www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This is the first annual update of the brochure. Save for the addition of the investment process of the fixed income strategy as described in Item 8, there has been no material change since the last update of the brochure in November 2011.

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ITEM 4 – ADVISORY BUSINESS

A. Description of the Advisory Firm

Incorporated in September 2008 in Hong Kong, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“HFM”). HGI has been registered with the SFC in Hong Kong pursuant to the Hong Kong Securities and Futures Ordinance to conduct the regulated activities of 1) advising on securities (Type 4) and asset management (Type 9) since February 2009, and 2) dealing in securities (Type 1) since November 2010. Our parent company was incorporated in 1999 and is a significant investment firm headquartered in Beijing, China. The owners of HFM are China Credit Trust Co., Ltd, Lixin Investment Co., Ltd and Deutsche Asset Management (Asia) Limited. More information is available in our Form ADV Part 1.

We provide discretionary portfolio management services to our clients, sometimes with the assistance of HFM, serving as the investment adviser to pooled investment vehicles (“funds”) sponsored by other financial firms. We also provide investment advisory services on behalf of sophisticated institutional investors to separately managed accounts. We categorize our services as Fund Advisory and Separate Accounts.

We may in future provide portfolio management services to funds sponsored by HFM and may serve certain high net worth individuals.

While client investment mandates vary, our investment focus is largely on Asia, in certain cases predominantly on China, with limited amounts of investment in other markets. We may invest client assets across a range of investment classes, but, generally, investment focuses on equity and fixed income securities. We may also invest in derivative instruments, most often for hedging and portfolio management purposes. More information on the strategies we utilize, and the risks often associated with them, can be found in Item 8. Clients or investors should also consult the relevant offering document or investment supervisory agreement for a more complete discussion of risks and investment strategies.

In each case, we will provide services to our clients according to an executed Investment Management Agreement detailing client-imposed investment guidelines and, if applicable, restrictions.

Client Assets

As of February 29, 2012, the most recent date for which such calculations are available, we manage the following assets:

Discretionary Assets	US\$ 1,921,861,725
Non-discretionary Assets	US\$ 477,550,994
Total	US\$2,399,412,719

ITEM 5 – FEES AND COMPENSATION

Fee Schedule

We do not currently impose a standard fee upon our clients.

Fees are as described in a particular Investment Management Agreement. As a rule, fees can be expected to vary based on factors including the complexity of the mandate, the amount of assets under management, the client's investment strategy and objective, whether the mandate is discretionary or non-discretionary and other factors.

In our sole discretion, we may vary the fee structure for certain large or strategic investors, including affiliates, and for HGI employees. We may also vary the fee structure in connection with promotional efforts or for other business development reasons.

A. Payment of Fees

Typically, management fees and performance fees (where applicable) are payable in arrears based upon the market value of the assets at the end of the preceding billing period. The billing period is negotiable depending upon the types of the mandate. Clients are generally billed for their management fees and performance fees (where applicable).

Other methods of payment and calculation may also be available, where appropriate or upon a client's request.

B. Clients are Responsible for Third Party Fees

There are other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or transaction costs.

For example, clients may pay costs such as brokerage commissions, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees we charge.

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

C. Prepayment of Fees

We collect our fees in arrears. We do not collect our fees in advance.

D. Outside Compensation for the Sale of Securities to Clients

Neither we nor our employees accept compensation, including sales charges or service fees, from any third-party for the sale of securities or other investment products.

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

We may have performance-based fee arrangements with certain of our clients from time to time. Performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee

arrangement. These fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have designed and implemented procedures to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

ITEM 7 – TYPES OF CLIENTS

We may provide services to a variety of client types. Clients include:

- Corporations; and
- Pooled investment vehicles, including non-US public investment companies for retail investors and private investment funds.

The relative percentage each client type currently represents is available on our Form ADV Part 1. The actual mix of types of clients may change over time based upon market conditions, business plans and other factors.

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

Our methods of analysis and investment strategies vary between the three investment universes we cover.

CHINESE EQUITIES

1. Screening Process

The investment universe is made up of stocks within the MSCI China Index and other alpha accretive stocks that fit the strategy's investment objective. We construct our stock pool in two parts: the core stock pool and the alpha stock pool. The criteria for both stock pools include market capitalization higher than USD 100 million and daily turnover higher than USD 0.5 million.

The core stock pool includes companies with relatively large market capitalization and good liquidity. The core stock pool covers about 80% of the market capitalization of the MSCI China index.

The alpha stock pool includes mid- to small-size companies, companies with emerging importance (sub-sector leaders) and companies with short- to mid-term catalysts. It provides candidates for the core stock pool.

There are approximately 400 stocks in the broad universe and around 110 stocks will be studied in depth.

2. Research Process

In our analysis, we take both qualitative and quantitative approaches. We put significant emphasis on fundamental research. At the same time, we enhance our fundamental research with quantitative screening. We use a momentum screener and an evaluation screener to create leads to our fundamental research and to look for discrepancies in the market place. Besides that, we also design quantitative tools to extract and monitor theme based investment.

The outputs of our analysis are stock ratings and recommendations. We rate the stocks on the scale 1 to 4, with 1 to strong buy, 2 to buy, 3 to hold and 4 to sell. In our recommendations, we specify investment

opinions, horizon, catalysts, target prices (target returns) and potential risk. Any fundamental changes such as to the company's strategy would trigger a review of the rating. The rating of core stocks will be reviewed monthly and, for stocks in the alpha pool, the rating will be tracked regularly and updated once the catalyst plays out.

We are totally committed to research. We are convinced that over the long term market prices are oriented on "fundamental values". For this reason, we follow an investment process that is based on our own, in-house, fundamental evaluation of each individual stock. The functions of research analysis and portfolio management are combined. Our portfolio managers are responsible for research and stock selection within their areas of responsibility.

Company visits are at the core of the investment process. This is to allow our portfolio managers to properly evaluate the quality of management from both a micro and macro perspective. The focus will be both qualitative issues (corporate governance, the quality of management, firm's overall competitive position and its relative strengths and weaknesses), as well as quantitative issues (return on capital employed, cash flow generation), when evaluating a business.

Another important factor of the research process is the identification of changes. Management change, product innovation, industry activity, competitor entry and restructuring are all signs of important changes which can signal a period of sustained outperformance or underperformance.

Our portfolio managers also benefit from the strong research support from the investment professionals at HFM who are able to provide useful sector analysis with unique insights on China-originated companies. They are involved in an ongoing dialogue with the research analysts at HFM that includes a daily discussion of market activity and regular scheduled conference calls to discuss the current economic, market and company-specific information.

3. Portfolio Construction

We need to incorporate the following considerations in the portfolio construction process:

- Guidelines or restrictions and compliance requirements of the given investment mandates
- Potential risk/reward trade-off on the position
- Conviction level of given stock and industry
- Liquidity constraints on the position
- Loss control
- Communication

Within the framework of the investment guidelines and restrictions, we consider the risk and return profile of all the stocks in the coverage, and take actions (overweight or underweight) for those we have a high conviction level.

ASIAN EQUITIES

Step 1: Idea generation

The investment universe is made up of stocks within the MSCI Asia ex Japan universe and alpha accretive stocks that fit the portfolio's investment objective.

Investment ideas are often generated via our thematic overlays, and supply-chain analysis. We perform quantitative screening using Cash-Flow Return on Investment (CFROI) and liquidity filter – daily turnover

(minimum of USD1.0 million). We regard CFROI as a critical parameter in screening out companies with consistently poor cash flow for a prolonged period.

For thematic overlays, we conduct brain-storming sessions to identify and discuss both structural as well as tactical China-influenced and Domestic Asia themes. For China-influenced themes, we have viewed the Chinese influence of Scarcity, Liquidity and Policy on the specific sectors such as material, energy, industrial. We are seeking companies which can benefit from the positive influence of China while avoiding those which may or will be negatively affected by China. We observe the social and political dynamics within the Domestic Asia markets outside of China. We invest a significant amount of our time interacting with companies in various industries. Robust supply-chain analysis is widely performed whenever possible; especially in the highly contested sectors such as technology, industrial and material.

Step 2: Idea verification

We verify our investment ideas through both our fundamental and financial due-diligence processes. We aim to further stream-line our investment universe into a focus coverage list. Our coverage will generally be at least 75% of the MSCI Asia ex Japan universe. Our focus coverage will comprise both the core stocks and alpha stocks. Core stocks are typically the large-cap representative stocks within the respective country MSCI indexes. Alpha accretive names are companies which are either non-index e.g. newly listed companies or less represented in the indices. We generate conviction rating, target price, and fundamental score during the idea verification process.

The conviction rating (Strong Outperform, Outperform, Underperform, Strong Underperform) of a stock is made relative to the country benchmark based on a specific time horizon. Our stock research focuses on our down-to-earth due-diligence at the corporate level. We ascertain our understanding of the business model (risk and rewards), competitive advantages and growth profile (secular or cyclical). Corporate interactions enable us to verify our financial assumptions, and qualitative facts and whenever possible, we also cross-check our findings with a company's customers, suppliers and competitors. Our conviction in a company may move in tandem with the level of our supply-chain analysis. Our portfolio managers and analysts maintain at least once a quarter interactions with the management of companies we invest in by way of on-site company visits, off-site meetings and conferences.

We generate a target price from our internal financial assumptions regarding a company. Our investment style and process are based on the central belief that it is ultimately cash-flow and cash-flow return on investment (CFROI) which will determine share prices over the medium and long term. Therefore, we focus our efforts on identifying superior growth opportunities at reasonable valuations. CFROI is a primary valuation methodology that we utilize especially for the non-financial sectors. However, we do perform a reality check by making reference to other conventional valuations like P/E, and EV/EBITDA. For the financial sector, we evaluate banks and insurance companies based on the Gordon Growth Model implied P/B valuation and we value real estate companies based on RNAV. Often, we may have situations where we produce a probability weighted target price (best case, base case and worst case). Risk aversion is our guiding principle i.e. every unit of risk should be compensated with more units of upside potential. We prefer a stock with share price of 30% upside and 10% downside over another with 60% upside with 30% downside. There is a certain influence of our conviction rating on such relative risk-reward target.

It is our view that fundamental score has a lower correlation to the movements in the financial markets and we believe that in times of market volatilities, we can look beyond the noise to focus on these attributes. In times of crisis or in a bear market cycle, it is not uncommon that the valuation of "good" and

“bad” companies will converge. Management quality is the most important attribute we value in a company. We make every effort to avoid investing in companies which have corporate governance or credibility issues. We encapsulate the importance of management quality in our fundamental score. We do not express a view in the portfolio on a company with a poor management score even if it may have a chance of tactical outperformance. We may be contrarian at times on out-of-favor stocks especially those with good corporate stewardship and attractive risk-reward profile even if there are no specific share price catalysts.

Our fundamental score is weighted by 3 “right” attributes:

- Right theme (20%) – China influence and or Domestic Asia
- Right business (40%) - Business model, Competitive advantages and Growth profile (secular or cyclical)
- Right management (40%) – Corporate governance, track-record, interests alignment (e.g. share ownership)

Step 3: Idea implementation

The actual portfolio is constructed based on the inputs of the focus coverage, macro and thematic/sector overlay, risk control parameters as well as specific investment objectives and restrictions.

Our portfolio construction process aims at capturing all our highest conviction ideas (i.e. Strong Outperform) within the stipulated country and sector limits. We implement all the stocks with “Strong Outperform” rating which should have an active bet of between 100 to 300 bps in the portfolio. We do differentiate stocks within the “Outperform” category by making reference to risk-reward target and fundamental score. Market allocation is often a residual function of our stock selection process.

We have country and sector deviation limits as follows: country deviation limit to be not more than 5% or 2x the country weighting in the benchmark (whichever is the lower), sector deviation limit to be not more than 8% or 3x the sector weighting in the benchmark (whichever is the lower). We do emphasize the importance of monetary policy and political-social stability in the Asian markets. We intervene in our market allocation during extreme market conditions especially in times of rising political and social risks.

In general, positions will be sold or reduced if:

- Changes to the original investment theme, trend and sentiment occur
- Fundamental situation worsened – specific to companies or sectors
- Unfavorable changes to management, ownership or corporate strategy
- Positive fundamental development is reflected by the share price
- Superior prospects in other countries/sectors/stocks
- Holding exceeds risk budget

All trades are processed through our automated Guideline Checking System. Pre-deal checks will be conducted before every trade reaches our central dealing desk. We also conduct regular post deal breach exception reporting for our clients’ portfolios. Compliance monitors guideline compliance with client, regulatory and internal guidelines on an ongoing basis.

Risk of Loss

We primarily invest in equity securities, but at times, we may invest to a limited degree in debt or derivative instruments.

Market Risk. The profitability of our investment program depends upon our correctly assessing the future course of price movements of specific securities and other investments. There can be no assurance that we will be able to predict these price movements accurately.

Equity Securities. Equity Securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments. For example, beginning in September 2008, world financial markets experienced extraordinary market conditions resulting in extreme volatility in the global equity markets.

Derivative Instruments. Swaps, derivatives, and certain options and other custom derivative or synthetic instruments are subject to the risk of non-performance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. Derivative instruments can be highly volatile and expose clients to a risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited.

We utilize certain investment techniques in managing client portfolios.

Concentrated or Non-Diversified Positions. Client accounts will be relatively concentrated with respect to the type of securities (i.e., equities) in which we invest on their behalf, and may be concentrated with respect to issuers. Concentration and non-diversification pose increased risk of loss to the extent the account is more susceptible to adverse events affecting the industry or issuer in which the account is focused.

Turnover. We are free to sell securities in client accounts regardless of the length of time they have been held and regardless of the resulting rate of portfolio turnover, when we, in our sole discretion, determine that such changes will promote the investment objective of and be consistent with the investment restrictions applicable to the account. Client accounts may therefore experience a higher than average rate of turnover. Turnover may cause tax consequences for the account and the client to the extent of realized gains and losses, depending on the type of account. Clients should consult their own tax advisors concerning the tax consequences of investments in their accounts.

Non-US/Emerging Market Investing. Substantially all of the investments we make on behalf of client accounts are made outside of the United States. Investments focus on emerging markets in Asia. These markets may not provide the same protections as more developed markets, may be subject to considerable volatility and may subject accounts to other risks, including foreign exchange risk.

Small- to Mid-Capitalization Companies. We generally invest a portion of the assets of client accounts in the equity securities of companies with small-to mid-sized market capitalizations. These companies, particularly those featuring smaller capitalization, involve higher risks in certain respects than do investments in larger companies. The prices of these companies are often more volatile than prices of large-capitalization stocks. An investment in these companies, due to generally lower trading volume, may be more illiquid than one in a larger capitalization firm.

FIXED INCOME

HGI's fixed income investment process is composed of six constituents, which are closely linked together as follows:-

- Research
- Risk Return Analysis
- Strategic Asset Allocation Review
- Tactical Asset Allocation Review
- Model Portfolio
- Investment Portfolio

(I) Research

The analysis of macro-environment and market data represents the first step of the investment process.

Main areas examined are:

- Macroeconomic indicators including local and global interest rate trends, inflation trends, gross domestic product growth rate, money supply, employment condition and foreign exchange etc.
- Various fixed income market liquidity data for example daily liquidity, trading floors, institutional investor positions, collateralized repos quantity, partition and converting progress and trading volumes.
- Various fixed income market yield data for example yield to maturity, coupon rate, coupon payment procedure, coupon tax treatment, embedded option valuation, credit spreads.

All the above are used as a basis for determining bond allocation and duration strategies. The above analysis is combined with a bond class selection process based on in-house fundamental analysis. Our bottom-up analysis involves at least three aspects:

- Credit Analysis: Qualitative factors such as organizational structure, firm's competitive positioning in the industry, use of earnings, future source of repayment, risks in operation are considered to assess credit strength and default risk.
- Quantitative Analysis: Financial ratios on cash flow, debt level and historical capital structure change are relevant for the future cash flow projection.
- Relative Value Analysis: We conduct valuation comparison within the industry and within the same fixed income markets to identify degrees of mispricing and potential arbitrage profits.

The outputs of these analyses are channeled into a proprietary rating system which uses Moody's rating approach as a reference. Short-term bills are rated in accordance to 3 credit levels which are further classified to 5 sub levels, while long-term bonds and notes are rated into 8 levels and are further classified into 21 sub levels.

(II) Risk/Return Analysis

Regularly risk and return analysis are conducted on client portfolios. Our risk management department conducts various attribution analyses with respect to excess return, volatility, asset allocation and different strategies such as duration, yield curve, credit spread and arbitrage. These analyses adopt standard risk management process as well as customized measuring approaches.

(III) Strategic Asset Allocation (SAA) Review

The SAA Review is conducted on a monthly and quarterly basis where portfolio managers and credit analysts establish consistent strategies on asset allocation and bond selection as well as study other professional investors' behaviours.

(IV) Tactical Asset Allocation (TAA) Review

The TAA Review is conducted more frequently (weekly and monthly) taking into consideration near term market information. Discussions during this review are centered around primary and secondary market liquidity and bond valuation as well as trading momentum.

(V) Model Portfolio Construction

The aforesaid SAA and TAA review meetings facilitate the model portfolio construction process. With considerations on liquidity risks, each model portfolio will have specific duration, average yield to maturity and benchmark characteristics:-

Model portfolios are then submitted to the Investment Committee for discussions and implemented by the portfolio managers. Model portfolios are adjusted weekly accordingly to the research outputs and target returns.

(VI) Investment Portfolio Construction

The Investment Portfolio is constructed based on model portfolio and the specific investment objectives and the restrictions of the mandate. The Portfolio manager has full discretion to adjust the model portfolio according to changing investment environment. We incorporate the following considerations in the portfolio construction process:

- Guidelines or restrictions and compliance requirements of the given investment mandates
- Potential risk/reward trade-off on the position
- Conviction level of a given bond and industry
- Liquidity constraints on the position

Throughout the entire investment process, we place great emphasis on internal communication and a strong culture of team work promoting frank discussion with open feedback and constructive debate.

Investing in securities involves risk of loss that clients should be prepared to bear.

ITEM 9 – DISCIPLINARY INFORMATION

We have not been subject to any disciplinary action, whether criminal, civil, administrative or regulatory in any jurisdiction. The companies which own our parent firm, particularly those that are substantial financial services firms, may be involved from time to time in regulatory matters or litigation that arise in the ordinary course of their business, none of which is material with respect to our investment management business or our clients.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Our sole business is providing investment advisory services and we are not engaged in any other business.

We work closely with our parent company, HFM, in providing certain services. For instance, we may work together with HFM to manage client portfolios and provide related services, including client liaison, investment monitoring, account administration, investment research, and trading services. Where employees of HFM are involved in providing advisory services to US clients, these duties are subject to a Participating Affiliate Agreement (the “PAA”) between HFM and HGI. Under the terms of the PAA, these employees of HFM are subject to the supervision of HGI in the performance of such duties, and they are

subject to certain aspects of our Code of Ethics as described in Item 11. HFM is also subject to books and records requirements and to other requirements relating to the PAA.

Deutsche Asset Management (Asia) Limited (“Deutsche Asia”), an investment adviser located in Singapore and a member of the Deutsche Bank Group (“Deutsche Bank”), is an owner (30%) of HFM. We provide advisory services to Deutsche Asia and its related entities as sub-managers (i.e. sub-advisers) to funds it or its related entities sponsor and mandates for which it or its related entities act as investment advisers. We also directly advise a Deutsche Bank entity. In addition, we have entered into contractual arrangements with certain Deutsche Bank entities that may solicit clients for us subject to the requirements discussed in Item 14.

We conduct brokerage through one or more Deutsche Bank broker-dealer firms. To address the conflict of interest this presents, we will only utilize Deutsche Bank as a broker-dealer subject to the considerations of best execution discussed in Item 12.

Other firms with a substantial ownership stake in HFM are financial services or holding companies in the People’s Republic of China. Due to the extensive nature of these firms’ holdings, we may conduct business with a firm affiliated to these firms, either intentionally or inadvertently. We do not assign resources to monitoring the holdings or affiliates of these firms, and would conduct our business with such affiliates or investee companies on an arm’s length basis, as with any other third party.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT

TRANSACTIONS AND PERSONAL TRADING

We maintain a Code of Ethics adopted under Hong Kong law but consonant with Advisers Act Rule 204A-1 which (i) sets forth standards of conduct expected of advisory personnel, (ii) sets forth our policy for safekeeping material, non-public information, and (iii) requires certain of our employees, officers and directors to comply with clearance requirements with respect to personal securities transactions and reporting requirements. Copies of our Code of Ethics will be provided to any client or prospective client upon request. In addition to our home country policies and procedures, our activities and the activities of our advisory personnel with respect to US clients are governed by a US Compliance Manual detailing our obligations under the Advisers Act and other relevant US law and regulation. All new employees with US client responsibilities are furnished with a copy of the Code of Ethics and US Compliance Manual upon the commencement of their employment, and must signify their understanding and acceptance of the documents by completing and returning an attestation to the Compliance Department.

Employees of HGI may, from time to time, buy or sell securities that we recommend to clients for their own accounts. Such employees must do so in accordance with our personal trading policy. The objective of this policy is to ensure that a personal account transaction undertaken by any employee does not conflict with our regulatory obligations and fiduciary duties to our clients. This would include ensuring that all personal account transactions do not conflict with, or take unfair advantage of the funds under management, as well as ensuring that employees handle price sensitive information in an appropriate manner that would not constitute any breach of regulations or duty.

Employees who wish to carry out transactions in reportable securities in any of their personal accounts (including the accounts of their spouse and dependent children) (“Covered Accounts”) must, unless an

exception is available under Advisers Act Rule 204A-1, obtain prior approval by submitting a request to our Compliance Department.

Approval will be given only if there is no conflict between the Covered Account transaction and the transactions of our clients.

We maintain a log of material conflicts and the means to address/resolve them, which we review on a regular basis.

ITEM 12 – BROKERAGE PRACTICES

A. Soft Dollars

We may pay a broker a commission higher than another broker may have charged in recognition of the value of the research and/or brokerage services provided by that broker. This practice is referred to as “soft dollars” in the US and “soft commissions” in certain other jurisdictions. Various types of research and brokerage services may be obtained with soft dollars including, among other things, research and analytical information that we use in the investment decision-making process. We may choose to place a trade with a particular broker when, for example, a research analyst at that broker has given us valuable investment advice. We benefit from these arrangements because we do not have to produce or pay for the research or services received. In selecting a broker providing research or brokerage services to execute client transactions, we will make a good faith determination that the amount of the commission charged is reasonable in relation to the value of the research and brokerage services received.

Our use of commissions or soft dollars to pay for certain research products or services is expected to fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934. The products or services received from brokers as a result of a client’s transactions may be used by us in servicing other accounts.

We are also authorized to utilize client commissions for other purposes and under other circumstances consistent with applicable law.

B. Client Directed Brokerage

Some advisory clients may direct us to execute trades with a specific broker-dealer. We will only honor these requests subject to our regulatory obligations, including best execution.

In these cases, we may not be able to aggregate such client’s transactions with similar transactions of other clients. There can be no assurance that the directing client will realize the same price or commission rate achieved for other clients. Due to the higher commission rates often paid on directed accounts, clients should be aware that account performance may be negatively impacted. Furthermore, higher commission rates will negatively impact returns when we rebalance accounts.

In any event, we do not receive client orders to buy or sell securities nor do we make ourselves amenable to do so. We are not a broker-dealer.

C. Aggregate Trade Allocations and Trade Errors

We will generally execute transactions on an aggregated basis when we believe this will allow us to obtain best execution and negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders, all of our clients will be treated in a fair and equitable manner. We will not aggregate orders unless aggregation is consistent with our duty to obtain best execution. No account will be favored over any other client; however, a variety of factors are determinative of whether or not a particular client may or may not participate in a particular aggregated transaction. These factors include, but are not limited to: investment objectives and strategies, position weightings, cash availability and/or risk tolerance. Because of differences identified above, there may be differences in invested positions and securities held which could lead to security dispersion among client accounts.

When we determine that order aggregation is in the best interest of our clients, the following guidelines generally are followed for all portfolios which are participating in the execution under the same trading circumstances (*e.g.*, price limits and time of entry). Aggregated orders filled in their entirety, or partially, will be allocated within strategy among the participating accounts *pro-rata* by account market value. In the event of a *de minimus* allocation for a partial allocation, the trader has the authority to determine an appropriate allocation methodology.

Consistent with our fiduciary duties, our policy is to exercise care in making and implementing investment decisions for client accounts. We have a trading errors policy. To the extent trading errors occur, we seek to ensure that clients' best interests are served. Our policy is to resolve all trade errors within a reasonable time while ensuring the client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. As a general matter, actual losses suffered by a client account as a result of a trade error caused by us will be reimbursed by us; however, as a general matter, we do not compensate clients for lost investment opportunities (*e.g.*, failure to take advantage of investment or market improvements).

D. Brokerage Partners and Best Execution

We seek the best price available along with the most favorable execution on each order placed on behalf of our clients ("best execution"). We believe that the key components for achieving the most favorable net results are transaction specific and dependent upon the experience of the executing and clearing broker, including its reliability, reputation in the industry, financial stability, capital commitment, infrastructure, research and execution services and ability to accommodate special transaction needs. Although we generally seek competitive prices or, where applicable, commission rates, we will not necessarily pay the lowest price or the lowest commission.

We consider the following specific factors when determining whether a broker or counterparty will deliver best execution:

- Costs (commission, exchange levy, stamp duty, miscellaneous fees, etc.);
- Size and nature of the order;
- Speed and reliability of execution; and
- Any other consideration relevant to the efficient execution of the order.

We routinely monitor our trading for best execution.

ITEM 13 – REVIEW OF ACCOUNTS

A. Frequency of Reviews

Our Portfolio Managers review each client account on a regular basis to determine, among other things, whether each account is appropriately positioned and whether investment objectives and policies are being followed.

B. Written Reports

Clients typically receive a performance statistics report and a performance attribution report. Clients typically also receive an investment management summary including portfolio review and market outlook based on an agreed upon set of procedures.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We have entered into contractual arrangements with firms that may solicit clients for us. The arrangements are made in writing pursuant to Rule 206(4)-3 of the Advisers Act. This requires, among other things, that such solicitors comply with requirements of the Rule and other applicable law, as well as fulfill their contractual obligations with us. The solicitor must, at the time of his solicitation, provide the client with a copy of Part 2 of our Form ADV. The solicitor must also provide the client with a separate document describing the solicitation arrangement, disclosing any affiliation between us and the solicitor, the compensation for solicitation, and whether advisory fees for solicited clients are higher than those for other clients due to compensation paid to the solicitor.

ITEM 15 – CUSTODY

We do not maintain physical possession of the funds or securities of any client. Each of our clients has entered into an agreement with a brokerage firm or commercial bank that serves as custodian of the funds and/or securities held by each such fund.

All US clients will receive statements of account holdings from their custodian not less than quarterly. Additionally, we will provide US clients with account balance and activity details upon request.

We urge all US clients to review carefully statements from the custodian and compare the custodial records to the reports that we provide them.

ITEM 16 – INVESTMENT DISCRETION

We may be retained to manage client accounts on a discretionary or non-discretionary basis. In cases where we have investment discretion, we determine, within a client's specified investment objectives and guidelines, which securities are bought or sold, the total amount of securities to be bought or sold, and in most cases, the broker or dealer through which the securities are to be bought or sold and the commission rates to be paid, all without further consultation with the client. In exercising our investment discretion, we are guided by the investment management agreement that is established at the inception of the adviser-client relationship (along with any amendments to the agreement).

ITEM 17 – VOTING CLIENT SECURITIES

Pursuant to our proxy voting policies and procedures, we take steps to see that proxies are voted on securities held in client accounts where authority to vote proxies has not been expressly reserved to the client in the investment management agreement or other documentation. If we vote proxies, it is our aim to see that proxies are voted in the best interest of our clients.

As an alternative to giving us discretion to vote proxies, clients may provide us with their own written proxy voting guidelines or their own policies, procedures or directions regarding the voting of a proxy or proxies. Such guidelines or directions must be in writing and delivered to us sufficiently in advance to vote the proxies as directed.

Clients may obtain information about how their securities were voted upon request by contacting us at our main office at the address given above. Upon request, clients may also obtain from us a copy of our proxy voting policies and procedures.

ITEM 18 – FINANCIAL INFORMATION

We do not have any adverse financial information to disclose. The management of HGI believes that we are financially sound.