

## FORM ADV PART 2A

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This Brochure provides information about the qualifications and business practices of CP2. If you have any questions about the contents of this brochure, please contact us at +61 2 8274 5900 or [sydney@cp2.com](mailto:sydney@cp2.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.

Additional information about CP2 also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CP2 may refer to itself as a "registered investment adviser" or "RIA". You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

**ITEM 2: MATERIAL CHANGES**

Not applicable

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## ITEM 4: ADVISORY BUSINESS

CP2 is an Australian wholly-owned subsidiary of CP2 Group Limited, and is an Australian investment adviser registered with the Australian Securities & Investments Commission ("ASIC"). CP2 has been in operation since 1997 either directly or through its predecessors and is registered with the ASIC since June 4, 1997. CP2 is a specialist investment manager in the infrastructure asset class. CP2 initially advised Australian superannuation and mutual funds on infrastructure and industrial listed equities. Over time, CP2 developed a global client base, providing investment research, valuations and other advisory services to more than 50 pension and other institutional funds.

CP2 operates a unique "club" business model. CP2 has over A\$3.4 billion assets under management in discretionary mandates managed on behalf of a number of clients

The discretionary mandates are all managed on the same basis, using CP2's deep research capability to search for the best value opportunities whether that is in unlisted equity, listed equity or debt.

Concentrated strategic positions are taken where we have conviction and circumstances allow us to buy opportunistically. Once a large position is established we exercise intensive oversight of CP2's Board of Directors (the "Board") and management to ensure they are acting in shareholder interests. In relation to our strategic holdings in listed assets, we can consider public to private transaction opportunities when they arise.

CP2 currently offers three products to its clients:

- ▶ the CP2 Global Infrastructure Fund, which is an investment fund established in Delaware in the United States and is made up of a number of limited partnerships. The CP2 Global Infrastructure Fund invests in a combination of Australian listed equities, investment in unlisted entities which hold infrastructure assets as well as direct investments in infrastructure assets;
- ▶ Investment Management Agreements, with a minimum investment of A\$20 million, investing in predominantly in global infrastructure assets; and
- ▶ special purpose vehicles that hold direct investments.

CP2 provides investment management services to sophisticated clients with long term investment horizons for investment into either direct mandates or through fund vehicles. Clients funds are then invested by CP2 in predominately infrastructure assets (including listed and unlisted infrastructure companies and directly into infrastructure assets).

CP2 tailors its investment advice to the investment objectives of the client and any guidelines or restrictions established by clients. Before establishing a client relationship, CP2 works with the prospective client to understand particular needs and investment goals, and to establish any guidelines or restrictions applicable to the account.

CP2 cannot guarantee or assure a client that such client's investment objective(s) will be achieved. CP2 does not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy that CP2 may use, or the success of its overall management of any account. The investment decisions CP2 makes for client accounts are subject to various market, currency, economic, political and business risks, and the risk that investment decisions will not always be profitable. Certain of these risks are discussed in Item 8 below, which you should review carefully before deciding to engage its services.

## ITEM 5: FEES AND COMPENSATION

CP2 currently has two fee scales:

**a) Existing Investments**

Listed investments: 50 basis points

Unlisted investments: 80 basis points

**b) New Funds**

Sliding fee scale as per the below table:

| FUM Bracket     | Fee Applicable |
|-----------------|----------------|
| \$0 - \$50m     | 1.00%          |
| \$50m - \$100m  | 0.80%          |
| \$100m - \$200m | 0.70%          |
| \$200m - \$300m | 0.50%          |
| \$300m - \$400m | 0.40%          |
| \$400m - \$500m | 0.30%          |
| >\$500m         | 0.20%          |

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

### **6.1 Performance-Based Fees**

CP2 may be compensated under performance-based fee arrangements in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended, usually based in part on the relative performance of an account when compared to an independent benchmark, but potentially on other bases as well. Such fees are subject to individualized negotiation with each such client and usually on an asset by asset basis.

### **6.2 Allocation of Investments**

The allocation of all investments will follow the principle of relative equity. Where CP2 has a commitment of funds the allocation will be made, with reasonable best efforts, on a pro-rata basis relative to the level of funds committed from each client. This is subject to a minimum allocation of \$100,000 or 5% of the units to any one portfolio, whichever is the least.

For unlisted or direct investments, allocation will follow the same principle, however as the commitment of funds is typically deferred and follows a long lead time, it is critical that CP2 has the confidence of clients in order to represent a credible position whilst in discussions with bidding consortia, vendors and other relevant parties.

### **6.3 External Validation**

Where the valuation of an asset triggers the payment of a performance fee, external validation by a sufficiently qualified professional valuation firm where an asset is maintained at book value, an external validation of the valuation may be sought if it is considered likely that market value may have moved below book value. The performance fee bank is subject to annual audit.

An external validation may be undertaken at other times as deemed appropriate by CP2 subject to approval by the client.

## ITEM 7: TYPES OF CLIENTS

In its capacity as an holder of Australian Financial Services Licence No. 246803, CP2 provides investment advisory, management and trustee services to a range of wholesale and institutional investors. Clients may invest either through the funds which are managed by CP2 and its related entities, or under discrete investment management mandates with CP2. Clients funds are then invested by CP2 in predominately infrastructure assets (including listed and unlisted infrastructure companies and directly into infrastructure assets).

The clients of CP2 fit into the following four categories:

- ▶ sovereign funds;
- ▶ global pension and endowment funds;
- ▶ industry superannuation funds;
- ▶ other institutional clients.

CP2 generally requires clients to enter into a written investment management or investment advisory agreement prior to the establishment of an account. CP2 will not enter into an investment management or investment advisory relationship with any prospective client whose investment objectives, guidelines, and restrictions CP2 deems incompatible with its basic investment philosophy or strategies, or if CP2 deems the prospective client's investment objectives, guidelines, and restrictions unduly restrictive.

### 8.1 Asset Management and Monitoring

Ongoing monitoring of all investments will be conducted to ensure the asset is optimally managed, to track performance against expectations and to ensure the investment continues to meet the requirements of the fund.

For listed assets, the key functions are:

- ▶ Review of performance: Ongoing and quarterly review and update of operating performance of an asset.
- ▶ Corporate actions: Review and vote (or recommend) on all actions which may have a potential impact on value.
- ▶ Key events: All company announcements will be reviewed and analysis undertaken on any event which may impact on value.
- ▶ Management interaction: Investment team members will endeavour to meet with management as part of the performance review and monitoring function.
- ▶ Portfolio management: Constant monitoring of market prices of current and potential opportunities.

For unlisted assets, the key functions are:

- ▶ Review of performance: Ongoing and quarterly review and update of operating performance of an asset. In addition, unlisted assets would be expected to issue monthly performance reports on operating and financial performance.
- ▶ Budget: Review management's short and long term projections on a regular basis with a major review completed annually. This review may result in further action if warranted.
- ▶ Corporate actions: CP2 will review and vote (or recommend) on all actions which may have a potential impact on value.
- ▶ Management interaction: Investment team members will endeavour to meet with management as part of the performance review and monitoring function.
- ▶ Board representation: Board seats will be sought where a shareholding is of sufficient size as to permit board nominations. A board member employed by CP2 is expected to review, conclude on, and influence decisions.
- ▶ Unlisted investments: CP2 will seek to have influence over subsequent investment and capital issuance decisions.
- ▶ Greenfields projects: CP2 will interact with project members and information sources external to the project. In addition to a board member employee, CP2 will utilize technical advisors where necessary.

### 8.2 Investment Due Diligence

CP2 assesses the investment merits of potential investments through its Investment Analysis Process and relies entirely on proprietary investment research.

CP2 offers a pure play investment focus which CP2 believe allows the business to avoid many of the conflicts of interest that interfere with sound investment decision making. CP2's pure play investment focus has resulted in an alignment of CP2's investment process and firm structure with the ultimate owner



of capital. This means that CP2 will place a greater emphasis on investment research and due diligence which allows us to make decisions purely on a rational assessment of an asset's investment characteristics. This is particularly relevant for decisions relating to the initial acquisition, ongoing capital spending, capital management and funding. CP2 is not incentivised to undertake such decisions on any basis other than that which maximises value to our clients.

The Investment Analysis Process is a comprehensive analysis of the qualitative and quantitative characteristics of a potential investment that may impact its value. This includes a detailed assessment of systematic and specific risks. The Process relies on sources of information such as meetings with company management, competitors, customers, suppliers, regulators and other stakeholders, company disclosures, academic journals and industry, macroeconomic and proprietary data. The final output of the Process is an estimate of the investment's intrinsic value.

The results of the due diligence, in particular the estimate of intrinsic value and any identified risks, are used as a guide as to whether the investment may be suitable for the needs of investors.

### **8.3 Valuation Protocols**

For the purposes of investment due diligence, CP2 conducts valuations using the Discounted Cash Flow methodology, whereby asset level cash flows are discounted at the asset's Weighted Average Cost of Capital. Reference may also be made to an asset's Internal Rate of Return and observed market prices of the asset or similar assets.

For the purpose of reporting and performance monitoring, CP2 undertakes a valuation of a listed asset on a daily basis and an unlisted asset on, at least, an annual basis (unless otherwise specified).

#### *Listed Assets*

The market value of listed assets will be determined as the closing share price on valuation date.

#### *Unlisted Assets*

The market value of unlisted assets will be determined as appropriate with reference to one or more of the following methods:

- ▶ Recent transaction prices on comparative assets;
- ▶ Trading multiples of comparative listed assets; and
- ▶ A Discounted Cash Flow value.

### **8.4 Responsible Investment**

The CP2 Investment Analysis process considers the social impact of potential investments due to the associated financial risks. Where conflict exists between asset and community interests, there is increased potential for impairments in asset value. Such investments are, in CP2's view, unsustainable over the long term and unsuitable for its investment objectives.

CP2 actively reviews corporate actions and voting decisions. CP2 will exercise its voting power in the interests of corporate governance, social, ethical and environmental considerations.

Direct investments, where CP2 holds substantial influence, require greater involvement, including more frequent and direct interaction with management of the assets.

### **8.5 Single Counterparty Exposure Limits**

CP2 identifies two risks involving exposure to counterparties: broker settlement risk and investment risk:

- ▶ Broker settlement risk: CP2 enters into relationships with external parties in a prudent manner and undertakes reasonable due diligence of transacting brokers to ensure the broker can complete their obligations. Such due diligence procedures include review of financial accounts for the broker (where available), review of transaction processes, review of organization structure, review of insurance, review of terms of business and meetings with executives of the broker.
- ▶ Investment risk: Exposure to a particular asset, or asset class, is limited in accordance with the specific details of individual client mandates. Within such limits, the chosen level of exposure will consider any risks specific to the asset, whereby assets which are deemed to carry significant risk will not form a major portfolio holding. A comprehensive analysis of such risk is undertaken during the Investment Analysis Process.

## **ITEM 9: DISCIPLINARY INFORMATION**

Operating at a global level, CP2 and its affiliates may be involved in disciplinary, regulatory or other legal matters from time to time, as well as being subject to examinations, investigations and inquiries from governmental and regulatory authorities. Neither CP2 nor its management has been involved in any legal or disciplinary events in the past ten years that would be material to a client's evaluation of CP2 or the integrity of CP2's management.

For more information on disciplinary and legal matters that may involve CP2 or certain of its related companies, see Item 11 of CP2's Form ADV, Part 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

### **10.1 Conflicts of Interest Identification**

The managing director, heads of divisions, responsible managers and the Board are responsible for assessing and evaluating conflicts of interest and deciding upon and implementing an appropriate response to the conflicts. When a conflict is identified, if it is deemed to significantly compromise the quality of financial services provided by CP2, action will be taken to avoid or resolve the conflict. The maintenance of a Conflicts Register and the conflict supervision and monitoring procedures implemented by CP2 are intended to significantly reduce the potential for conflicts of interest to compromise the financial services provided by CP2.

The following processes are in place to assist in identifying conflicts of interest:

- ▶ During the development phase of a new product and prior to its approval and launch, consideration will be given to identifying potential and actual conflicts of interest which may arise through the new products and including measures to manage, avoid or disclose any identified conflicts;
- ▶ Relationships with business partners and service / product providers are subject to the approval of the Executive Committee, including any payments involved. Consideration will be given to identifying any potential or actual conflicts of interest at the time of entering into arrangements with the relevant business partner or service / product provider;
- ▶ Representatives of CP2 have been instructed, and are required to report to the managing director any conflicts of interest they have or may have, in accordance with this policy. This includes conflicts arising from their personal account trading or management of investment funds;
- ▶ The implementation of supervision and monitoring procedures to assist in identifying potential conflicts of interests that have not otherwise been reported.
- ▶ CP2's Whistle-blowing Policy encourages representatives to disclose activities and practices in the workplace which may assist in identifying conflicts of interest.

### **10.2 Avoiding Conflicts of Interest**

CP2 believes one of the best methods of managing conflicts of interest, although not always possible, is to avoid many of the potential conflicts of interest that may arise. Accordingly, CP2 has adopted policies and procedures designed to assist CP2 in avoiding conflicts. These procedures include:

- ▶ CP2 or its representatives are not permitted to provide personal financial product advice;
- ▶ CP2 does not accept arrangements with its service providers by which CP2 may be remunerated or rewarded by reference to use of the service (soft dollar commissions);
- ▶ CP2's remuneration arrangements for its representatives are designed to ensure the representatives' alignment with clients' and CP2's long-term investment objectives and do not reward personnel for taking undue risks;
- ▶ For particular clients, investment products or transactions, CP2 may seek to establish measures designed to align the interests of itself, its representatives and its clients;
- ▶ Directors, Executive and Investment Committee members and representatives who would otherwise be involved in decision making, will abstain voting on decisions where they are conflicted and, in respect of serious conflicts, will remove themselves from the decision making process; and

- ▶ CP2 may decline entry into a relationship with a product provider or business partner, or to provide a financial service to a client if the conflict of interest cannot be adequately controlled or disclosed.

### **10.3 Disclosing Conflicts of Interest**

CP2 recognizes that the best treatment for some conflicts of interest is to disclose these to clients, and the intended course of action for management and monitoring of the conflict, so that they are adequately informed about any of the conflicts that may affect the provision of the financial services. Disclosure of the relevant conflicts of interest, including payments made or received and holdings in investments, will be included in the relevant documentation, such as Information Memoranda or reports to clients. Wherever possible, such disclosure will also include the means which CP2 intends to employ to manage and monitor the relevant conflict of interest.

CP2 acknowledges that it may also be appropriate to also disclose certain conflicts directly to some clients. The level of disclosure required will depend on the type of client and their level of sophistication. At all times CP2 will seek to act in a prudent manner and having regard to the best interests of the client.

### **10.4 Controlling Conflicts of Interest**

Whilst avoiding and disclosing conflicts of interest are an appropriate means of dealing with some conflicts, the nature of the financial services business means that some conflicts may not be avoidable and disclosure by itself is an insufficient means of dealing with the conflict. In these instances, CP2 will seek to control and manage conflicts as they arise. The means of controlling and management of conflicts will vary depending on the nature of the conflict and the type of impediment it presents to CP2 and its clients.

While it is not possible for this Brochure to identify and set out the means of control of every type of conflict which may arise, there are a number of areas where it has been identified that potential or perceived conflicts of interest could arise in the conduct of CP2's business. These areas include:

- ▶ Personal account trading;
- ▶ Managing investment portfolios;
- ▶ Providing financial advice;
- ▶ Related party transactions; and
- ▶ Representatives and directors interests.

The following sections consider the types of conflicts which may arise in these identified situations and detail the methodologies in place for management of them. These methodologies may then be considered and used for controlling and managing other conflicts not specifically identified in this document as they arise.

### **10.5 Personal Account Trading**

#### **10.5.1 Potential Conflict of Interest**

Where CP2's representatives hold or intend to trade in interests in securities which are the same as or related to securities held in or which may be held in a portfolio managed by CP2, potential conflicts of interest arise, as well as the potential for representatives to engage in inside trading or market manipulation.

Representatives of CP2 owe a fiduciary duty to clients to:

- ▶ Ensure clients' interests are placed before their own;
- ▶ Avoid conflicts of interest between their personal interest and the interest of the client; and

- ▶ Never take advantage of their position for personal gain.

Personal trading in investments in which client/portfolio trading may occur could result in numerous conflicts of interest, including:

- ▶ A representative recommending a client or fund makes a substantial investment in a security which the representative holds, thereby potentially inflating the value of the representative's own holding, in circumstances where that investment may not otherwise be suitable for that Client / portfolio;
- ▶ Reducing investment opportunities for clients where a security is not very liquid or where the number available is limited;
- ▶ Increasing the price when buying an investment so that the Client pays a higher price;
- ▶ Decreasing the price when selling so that the client receives a lower price; and/or
- ▶ Trading in conflict with a Client (e.g., buying on personal account where CP2 is selling on behalf of the Client).

### **10.5.2 Control Process**

Where representatives trade in securities, the following conditions apply:

- ▶ All trading by representatives must be done in compliance with this policy, which inter alia requires all Personal Account Trading by representatives to be approved before trading.
- ▶ Trading in securities in which CP2's Clients hold a substantial position is restricted to certain trading windows as described in this Policy and is otherwise restricted as described in this Policy.
- ▶ In undertaking any Personal Account Trading, representatives must disclose any conflicts of interest they have prior to trading.
- ▶ No representative may acquire investments directly from, nor sell investments directly to a portfolio without the prior approval of both the Board and the affected client.

All investments and divestments for all clients must be reviewed and approved by the Investment Committee. Where a representative is making a recommendation for investment in or divestment of a security or asset on a client's or fund's behalf, that representative must disclose to the Investment Committee his or her interest in the securities or asset the subject of the recommendation. Such interests are not limited to direct interests in the securities or asset, but extend to encompass any benefit or advantage which may flow to the representative as a result of the transaction. Each member of the Investment Committee must also disclose his or her interest in the relevant security or asset.

Any member of the Investment Committee who has a substantial personal interest in a transaction being recommended for a client must abstain from voting on the investment recommendation, and the remainder of the Investment Committee may require that Investment Committee member to absent himself from deliberations in respect of the investment recommendation. For this purpose, a "substantial personal interest" is one which affects the value of 5% or more of the representative's gross assets excluding his/her primary residence.

## **10.6 Managing Investment Portfolios**

### **10.6.1 Potential Conflict of Interest**

In managing various investment portfolios, potential conflicts may arise when identifying an investment to buy or sell. As a result of CP2's portfolio construction process, there will be a high degree of similarity amongst the respective portfolios and a likely need to trade in a particular security or asset at the same

time on more than one portfolio. CP2 recognizes that within this process, the clients must not be disadvantaged by trading in other portfolios managed by CP2.

Examples of situations which may potentially arise are as follows:

- ▶ CP2 identifies an investment for acquisition that meets the investment strategy of more than one of the portfolios for which CP2 acts as investment manager.
- ▶ CP2 determines to sell an investment owned by a portfolio managed by CP2 and the investment meets the objectives or another investment portfolio for which CP2 is the investment manager.
- ▶ CP2 in its personal capacity wishes to acquire investments from or sell investments to portfolios which it manages.

### **10.6.2 Control Process**

CP2 will ensure the following specific investment principles and procedures will be adopted to control this potential conflict:

- ▶ Each investment portfolio will have their own agreed objectives and guidelines and all investment transactions are to be undertaken in accordance with the guidelines and reviewed by the Investment Committee. The Board has delegated authority for investment transactions to the Investment Committee;
- ▶ Regular monitoring of each portfolio's investment objectives and guidelines to ensure compliance with them;
- ▶ Transactions of listed assets will occur at market prices and, as far as possible, through licensed share brokers;
- ▶ Where a transaction is completed in a series of trades, each trade will, to the extent practicable, be allocated pro rata amongst participating clients, so that all participating clients end up with the correct number of securities at the same average cost (refer also to the procedures relevant to New Investments, detailed below);
- ▶ CP2 will not be remunerated on an investment-by-investment success fee basis;
- ▶ All transactions are consistent with the implied intrinsic value of an asset (i.e. CP2 is unlikely to recommend acquisition of an asset at market price where intrinsic value is significantly below market); and
- ▶ Each relevant investment portfolio will be given an equal opportunity to participate in new investment opportunities, consistent with the objectives and philosophies of the relevant investment portfolio. This is subject to a minimum allocation of \$100,000 or 5% of the units to any one portfolio, whichever is least.

As well as the general principles and procedures outlined above, CP2 will perform its management obligations in a manner consistent with the following specific investment principles and procedures:

#### **New Investments**

Where investment portfolios have similar investment objectives and target investments, there may be conflict between portfolios in terms of allocation of new investments.

The Investment Committee must act in the best interests of all relevant clients. All clients must be treated fairly and equitably taking into account their different investment objectives. This means that:

- ▶ All clients will be treated fairly and equitably when proposing transactions for their investment portfolios;

- ▶ All clients will be treated fairly and equitably in the allocation of transactions; and
- ▶ Accurate execution and transaction records will be maintained.

The overriding principle is that, all other things being equal, each investment portfolio managed or advised by CP2 will be given a proportional opportunity to participate in new investment opportunities. However, other matters which may be taken into consideration by the Investment Committee when determining the allocation of a new investment opportunity include:

- ▶ the amount of uninvested monies in each portfolio;
- ▶ other investment opportunities which are likely to become available in the foreseeable future, and whether such opportunities may be more appropriate for a particular portfolio;
- ▶ the costs and tax implications of investment through a particular portfolio;
- ▶ the need for liquidity within the portfolio; and
- ▶ the size of the new investment opportunity.

Where an investment portfolio declines any investment opportunity, that opportunity or part opportunity may be made available to the other investment portfolio(s) if applicable.

The review and final approval processes as detailed above will also be followed.

#### Sale of investments

The sale of a portfolio's interest in an investment must be consistent with its strategy unless it has liquidity requirements to be satisfied from disposal of the interest. CP2 will consider any conflict of interest issues in the sale of investments as part of its decision making process, particularly where the intended purchaser is another portfolio managed or advised by CP2.

Where CP2 is required to transfer assets between portfolios it will effectively act as agent for the vendor portfolio and the purchasing portfolio. It is envisaged such transfers should be conducted at appropriate volume-weighted average market prices where the assets are listed or at prices reflective of the periodic valuations where they are unlisted (with appropriate adjustments for events subsequent to the valuation), provided that the periodic valuation is less than 3 months old. An independent valuation will be used where this is considered appropriate by either the vendor or the acquirer (or CP2 in its capacity as agent), or where the periodic valuation of a non-listed asset is more than 3 months old. CP2 would only engage in such a role upon approval from all conflicted parties. If this position were untenable, a third party would be retained to execute the transaction.

#### Insider Trading

CP2 has a policy on Personal Account Trading described in this Policy.

This policy should be taken into account when dealing with potential conflict of interest issues arising from managing the investment portfolios.

### **10.7 Providing Financial Advice**

#### **10.7.1 Potential Conflicts of Interest**

CP2's representatives may have a personal interest in the product or service that they are recommending to a client. This could include:

- ▶ The ability to receive a bonus if the client acts on the recommendation; and
- ▶ An interest in the company being recommended as a product or service provider.



These may result in potential or perceived conflict of interest. The client may question whether the representative is placing the client's interests first in making the recommendations.

### **10.7.2 Control Process**

If the control procedures referred to under the heading "Avoiding Conflicts of Interest" cannot otherwise be applied to avoid the relevant conflict of interest, disclosure will occur prior to or at the time of providing the financial service. All disclosure material will be checked by the compliance officer prior to being authorized by at least one director.

There will be some situations where disclosure will not adequately discharge the duty to manage the conflict. This will occur when the conflict is such that it would be impossible for the adviser to provide impartial advice. In this situation the managing director is informed. The managing director will decide on the course of action which may include appointing another representative to the client or declining to offer services to the client.

## **10.8 Related Party Transactions**

### **10.8.1 Potential Conflicts of Interest**

CP2 may outsource a number of functions related to the provision of financial services and products under its Australian Financial Services license. When these functions are outsourced to a related party for a fee, remuneration or other benefit, there is a potential conflict of interest. Related parties include other group companies (whether or not wholly owned), directors, relatives of a director, a company managed by a director or his/her relatives, a subsidiary or related body corporate and a beneficiary under a trust for which CP2 is trustee.

CP2 has a duty to ensure that the services provided in relation to the financial services and products provided to clients are of a standard and cost comparable to independent service providers in the industry.

### **10.8.2 Control Process**

Relationships with business partners and external service providers are controlled through the appointment and approval process overseen by the managing director. All transactions and arrangements made for or on behalf of clients will be conducted on commercial, arms' length terms and these will be reflected in written agreements including service level standards. These arrangements apply to any services/transactions with related parties. Any related party transactions which will incur an additional fee, remuneration or benefit for CP2 or its related party will be disclosed to the client as soon as practicable.

Related Party Transactions are recorded on a register, which is provided to the Board at each Board meeting. The register includes the following details:

- ▶ The related parties involved in the transaction;
- ▶ The type of financial benefit or service provided;
- ▶ The payment details;
- ▶ Start date/term of agreement; and
- ▶ Significant terms of the transaction.

## **10.9 Representatives and Directors Interests and Relationships**

### **10.9.1 Potential Conflicts of Interest**

CP2' representatives may have active personal or business interests outside their main roles at CP2 which could potentially result in a conflict of interest. For example, representatives or their related parties may:

- ▶ Have positions or a financial interest in other organizations which may influence their decisions or impact on their ability to be objective;
- ▶ Have outside investment related dealings (such as investment holdings or provision of investment advice, or so on) which may potentially impact upon the interests of CP2 or its Clients; or
- ▶ Be involved in the provision of other services to the portfolios managed or advised by CP2.

These situations may result in potential or perceived conflicts of interest in the form of:

- ▶ Questions arising about the quality of the decision making by the Board, Investment Committee, Compliance Committee or Employees, or whether the clients interests are / were their first priority;
- ▶ Questions arising in respect of the quality of work provided to the portfolios managed by CP2, and
- ▶ Questions arising whether the service charges are on a commercial arm's length basis.

Within their roles, representatives could also develop relationships with clients or service providers that could lead to conflicts of interest. The potential conflicts of interest are that one client's interest is put ahead of another client's interests or that a service provider is engaged or continuing to be engaged regardless of whether they are the most appropriate service provider.

### **10.9.2 Control Process**

All Directors are required to declare any material interest they have which may create, whether directly or indirectly, potential conflicts of interest with their duties as Directors.

This principle is extended to all CP2's representatives in respect of CP2's investment decisions in which they may have an influence.

Prior to a Director or representative being appointed, they are requested to disclose any interests they have which may lead to a potential conflict. This information can be used to assess the suitability of the appointment.

On appointment, Executive Committee, Audit & Compliance Committee and Investment Committee members and Directors are requested to disclose any relevant interests, both initially and as they arise. The Company Secretary maintains a Register of Interests which records any relevant directorships, shareholdings, investment, investment services and advisory dealings.

If a Director, Investment Committee member or Audit & Compliance Committee Member discloses an interest in a particular matter before the Board or the Committee (as relevant), the Board or Committee will evaluate the materiality of the interests and may require that the director or committee member remove themselves from discussion and decisions on that particular matter. In some cases this will not be sufficient and the conflict will only be able to be resolved by the resignation of the Director or Committee member.

The Human Resources Policy Manual includes a provision that no outside directorship or secondary source of income from investment related services or advisory dealings may be conducted without prior approval from the managing director. Once approval is obtained it will be recorded on the Employees file.

Similarly, all gifts and benefits which representatives may receive from third parties (including clients and service providers) are governed by the Gift policy included in this Policy.

It is acknowledged that it may be difficult to monitor any involvement CP2's representatives and Directors may have in respect of their outside personal or business investment dealings, or in entities providing services to the portfolios for which CP2 acts as either the manager or in an advisory capacity. The onus of disclosing any such potential or perceived conflicts of interest lies with the relevant CP2's representative or Director. On appointment and annually all representatives and Directors will be requested to sign that they have read and understand this Policy.

## 10.9 Supervision & Monitoring

CP2 endeavors to ensure full compliance with the procedures for managing conflicts of interest and that the quality of financial services provided under its license are not compromised.

Accordingly, CP2 has put in place measures designed to ensure that compliance with this policy is properly supervised and monitored. Such measures include:

- ▶ New Employees (including contractors) are notified of all compliance policies, including this policy, and requested to acknowledge their understanding of the policies
- ▶ All Employees receive regular training in respect of the main aspects of the Compliance Program, including the requirements of this Policy;
- ▶ All Employees must sign an annual acknowledgement confirming their continuing understanding of and compliance with all company policies;
- ▶ New products are subject to a conflicts of interest review, designed to identify potential conflicts of interest associated with provision of the product;
- ▶ The Audit & Compliance Committee regularly reviews the Conflicts of Interest Register;
- ▶ The Audit & Compliance Committee reviews this policy on an annual basis, and as part of that review is required to consider the adequacy of CP2's arrangements for identifying, managing and monitoring conflicts of interest.

If non-compliance with this policy is detected, then a report will be provided to the managing director (copied to the Audit & Compliance Committee) who will be responsible for taking appropriate action to rectify the issue of non compliance. If the non-compliance results in a breach of the financial services laws, then the breach will be reviewed and treated in accordance with CP2's Breach Reporting Policy.

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

### **11.1 Code of Ethics**

#### Conflicts of Interest

Employee trades should be executed in a manner consistent with our fiduciary obligations to our Clients: trades should avoid actual improprieties, as well as the appearance of impropriety. Employee trades must not be timed to precede orders placed for any Client, nor should trading activity be so excessive as to conflict with the Employee's ability to fulfill daily job responsibilities.

#### Insider Trading

The Adviser recognizes the serious nature of insider trading and the need to ensure that the Adviser and its Employees are neither engaged in insider trading, nor seen to be potentially engaging in insider trading. Accordingly, the Adviser undertakes to ensure that Employees are aware of what constitutes insider trading and the prohibition on insider trading.

#### Pre-Approval Procedure

All transactions in Securities by the Employees are subject to pre-clearance in accordance with the procedure described below under the heading "Trading Pre-Approval Procedure." No transaction will be approved where there is potential for or the perception that the Employees applying for approval stands to gain a benefit from the transaction in the circumstance where the Adviser or its funds or clients would sustain a loss – that is, the Transaction or Security held by the Employee must not move inversely to a Restricted Security or to a risk metric which represents the performance standard for a fund or portfolio. For example, a trade where the Employee proposes to short sell a Security held in a client portfolio would not be approved.

#### Gifts

All gifts and benefits which representatives may receive from third parties (including clients and service providers) are governed by the Gift policy.

#### Supervision

CP2's management recognizes its duty to supervise the actions of its Employees. Compliance with the policies and procedures established by CP2 assists CP2's management in fulfilling its supervisory obligations. CP2 has also developed position descriptions and established clear reporting lines to ensure that Employees are aware of their responsibilities. Employees who are unfamiliar with any activities, or who require assistance carrying out their duties, are expected to consult with an appropriate supervisor.

#### Anti-Money Laundering

CP2 has adopted a risk-based approach to assessing anti-money laundering risks in its business on the following basis: (i) client type risk, (ii) product type risk, (iii) product delivery risk, (iv) outsourcing risk and (v) jurisdiction risk. CP2 has put in place an acceptance procedure for new clients.

### **11.2 Limitations on Trading by Employees**

All transactions in Securities by the Employees are subject to pre-clearance in accordance with the procedure described below under the heading "Trading Pre-Approval Procedure." No transaction will be approved where there is potential for or the perception that the Employees applying for approval stands to gain a benefit from the transaction in the circumstance where CP2 or its funds or clients would sustain a loss – that is, the Transaction or Security held by the Employee must not move inversely to a Restricted Security or to a risk metric which represents the performance standard for a fund or portfolio. For example,

a trade where the Employee proposes to short sell a Security held in a client portfolio would not be approved.

However, provided that it is not otherwise contrary to the provisions of this policy, the Employees are entitled to protect their downside risk in holding Securities by selling where appropriate or entering Transactions designed to protect or sustain the value of their Securities. Accordingly, a Transaction which closes out when the Security reaches a certain value or upon the occurrence of particular events would ordinarily be approved subject to the other limitations in this policy.

If an Employee is proposing to enter into an over-the-counter derivative transaction or a Transaction which is anything other than an ordinary on-market trade in a listed or market-traded security, the relevant Employee must give to CP2's Secretary and the Investment Committee at least three business days' notice and include with the notice full particulars of the proposed transaction.

### **11.3 Trading Pre-Approval Procedure**

The Employees should note that strong disciplinary measures will be taken where an Employee is discovered to be disregarding the policies and procedures described in this Policy or where an Employee is trading without prior approval (without reasonable justification).

A Personal Account Trading Form must be completed by all Employees prior to any personal account trading, whether by that employee or his / her Associate.<sup>1</sup> The Personal Account Trading Form should be provided to a member of the Investment Committee and Company Secretary for approval at least one day prior to the proposed trade (more complex transactions require three business days' notice).

The Personal Account Trading Form requires the following information / acknowledgements to be obtained / provided prior to any personal account trading taking place:

- (i) Name of Employee;
- (ii) Name of Securities;
- (iii) Whether the trades are a buy or sell;
- (iv) Whether the Securities are on the Restricted Securities list. Note that if the relevant Employee does not have this information, it will be considered by the Investment Committee and Company Secretary prior to any approval being given;
- (v) Whether there are any conflicts of interest;
- (vi) Whether the trade conflicts with CP2's strategy in relation to the Securities;
- (vii) Confirmation that the Employee has no Inside Information in relation to the Securities; and
- (viii) Confirmation that the Employee's Register of Interests in Securities is complete and accurate.

If the answer to the questions set out in (iv), (v) and (vi) above is affirmative, or the acknowledgement referred to in (vii) and (viii) has not been provided, or the Investment Committee or Company Secretary is not otherwise satisfied with the responses to the questions, then the Trade must be referred to the full Investment Committee for approval.

In this case at least two members of the Investment Committee must approve the Trade, together with CP2's Company Secretary sign-off.

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<sup>1</sup> The requirement to apply for pre-approval does not apply to Associates where the Employee has provided an annual declaration for such Associates, in accordance with the procedure described under the heading "Associates" above.

If the Securities are not on the Restricted Securities list, and CP2's Company Secretary and a member of the Investment Committee are satisfied that there are no substantive conflicts of interest or conflicts with CP2's strategy, and the Employee has given the required confirmation of no Inside Information, then the trade may be approved by CP2's Company Secretary and one member of the Investment Committee. CP2's Company Secretary must advise the Employee accordingly. Usually such approval will be given within one business day of lodgment of the Personal Account Trading Form, but Employees should be aware that a response to lodgment of a Personal Account Trading Form may take up to three business days, and longer for a complex transaction.

Following approval for a personal account trade, the Employee has up to five business days in which to execute the Trade. In the event that the Trade is not completed (that is, ordered and filled) in this timeframe, the Employee must again submit the Trade for approval prior to carrying it out. Any Trades which have been ordered but not filled by close of business on the fifth business day must be cancelled while further approval is sought.

Approved Personal Account Trading Forms are to be handed to the Compliance Manager immediately after they are approved for safekeeping.

The Employee must update his / her Register of Interests in Securities with details of the trade within five business days following the trade.

### **11.3 Confirmation of trades monitoring procedure**

#### **11.3.1 Quarterly Confirmations**

At the end of each calendar quarter, the Compliance Manager will send an email to the Employees and non-executive Directors requesting a Compliance Declaration confirming that all trades have been notified in accordance with this Securities Trading Policy during the preceding quarter. The email will emphasize that this is a last opportunity to disclose a transaction which may not otherwise have been notified (e.g. shares allotted under a pre-existing dividend / distribution reinvestment plan account) and that any trades which have not been disclosed are in breach of the Securities Trading Policy and may result in disciplinary action. Employees have until 30 days after the end of the calendar quarter to provide the relevant Declaration. Declarations provided will be presented at the next scheduled Audit & Compliance Committee meeting.

#### **11.3.2 Half-Yearly Review**

Every six months Employee's will be required to provide both a Compliance Declaration and their Register of Interests in Securities to the Compliance Manager for review. Results of this review will be presented at the next scheduled Audit & Compliance Committee meeting.

## **ITEM 12: BROKERAGE PRACTICES**

### **12.1 Best Execution**

Once the decision to trade has been made, the Investment Committee will determine the volumes and price ranges that are acceptable.

A representative of the Investment Committee will instruct the nominated broker on:

- ▶ daily price limits (reviewed during the day);
- ▶ daily volume limits to ensure that price is not materially impacted (reviewed during the day);
- ▶ timing of execution;
- ▶ quantity of order (relationship to overall market conditions);
- ▶ liaison and feedback; and
- ▶ specific trade directions.

At the end of each trading day notifications are received from the broker and clearing house with details of trades executed. These are checked by CP2's dealer to ensure broker performance is consistent with instruction.

CP2 maintains individual client trade registers which include daily totals, daily price, daily volume, cumulative totals, total transactions, average price, brokerage and taxes. CP2 monitors all execution arrangements on an ongoing basis.

### **12.2 Selection and Engagement of Stock Brokers and Futures Brokers**

CP2 will perform due diligence when selecting a broker to determine if the broker is able to adequately fulfill its obligations. Such due diligence may include:

- ▶ a review of published financial statements;
- ▶ a review of trading and internal processes and policies;
- ▶ an examination of trading platforms;
- ▶ discussions with company.
- ▶ access and penetration in desired markets;
- ▶ clearing house facilities; and
- ▶ pricing.

Factors which CP2 considers in appointing a broker include, but are not limited to:

- ▶ Confidentiality;
- ▶ Process;
- ▶ Efficiency of execution and trade price performance;
- ▶ Access and penetration in desired markets;

- ▶ Brokerage rates;
- ▶ Access to stock;
- ▶ Desktop electronic trading facilities;
- ▶ Reporting systems;
- ▶ Clearing house systems / settlement;
- ▶ Accessibility;
- ▶ Experience;
- ▶ Security;
- ▶ Pricing; and
- ▶ Financial position.

CP2 has several broker houses that meet its criteria. These relationships are reviewed at least annually.

### **12.3 Soft Commissions and Soft Dollar Brokerage**

CP2 does not use “soft dollar” commissions or “soft dollars.”



### ITEM 13: REVIEW OF ACCOUNTS

CP2 provides quarterly reporting to all clients or as required under the Investment Management Agreement. The quarterly reporting comprises an end to end review of the client portfolio and provides information on:

- ▶ Portfolio size
- ▶ Portfolio performance
- ▶ Performance of individual stocks
- ▶ Income for the period
- ▶ Distributions from the portfolio to the clients
- ▶ Management and performance fees paid during the period

The report is prepared by the Fund Operations team under the direction of the Investment Committee with final review and signoff by the CP2 managing director prior to being distributed to clients.

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

From time to time, CP2 may have referral or solicitation arrangements with affiliated and non-affiliated persons or entities from which CP2 may receive or to which CP2 may pay compensation for the referral of business. Generally, any such arrangements are pursuant to agreements consistent with Rule 206(4)-3 under the Advisers Act. These arrangements may raise potential conflicts of interest insofar as the person providing the referral or solicitation is either an affiliate of CP2 or is otherwise being compensated and, therefore, may not be objective. Disclosures of the arrangement or affiliation are made to the client and the client does not bear the cost of referral fees or solicitation fees which may vary on a case-by-case basis. . The Board will generally will review any such arrangements and consider any potential conflicts of interest relative to the CP2 Conflicts Policy.

Further, CP2 or its affiliates may participate in conferences and other functions sponsored by consultants and may purchase research or other services from such consultants. From time to time, these consultants may recommend CP2 or affiliates to clients. These recommendations are not based on, or related to, the purchase of research or services, or the participation in conferences or other functions.

## **ITEM 15: CUSTODY**

Because CP2 (or an affiliate) serves as general partner of those funds organized as limited partnerships, CP2 is deemed to have “custody” over such funds within the meaning of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, CP2 provides each investor in a fund audited financial statements as soon as practicable following such fund’s fiscal year end, but in all events, within 120 or 180 days, as applicable, of the end of such year.

Generally, investors in the funds will have their own custodial relationship with global custody firms for example JP Morgan and Bank of New York Mellon.

## **ITEM 16: INVESTMENT DISCRETION**

CP2 may receive complete discretionary authority from the client at the outset of an advisory relationship through an investment management agreement or other documents to select the identity and amount of securities to be bought and sold, select the broker-dealers and other service providers that will service and support the operation of the account, execute trades on behalf of the client and generally engage in all activities that are essential or incidental to the investment management services CP2 provides.

In all cases, however, CP2's discretion may be subject to any limitations or prohibitions imposed by a client in its investment objectives, guidelines, and restrictions, or in instructions otherwise provided to it by the client or, for sub-advisory accounts, by the client's principal advisor.

In managing its clients' accounts, CP2 observes the investment policies, limitations and restrictions of the clients for which it advises. CP2's authority to manage the accounts may also be limited by securities, tax and other applicable laws. Investment guidelines and restrictions must be provided to CP2 in writing.

CP2 will generally work with clients in tailoring the advisory services and investment guidelines for separately managed accounts. In addition, clients generally may impose their own investment restrictions.

## **ITEM 17: VOTING CLIENT SECURITIES**

CP2's policy on the corporate governance of, and proxy voting of, investee companies is underpinned by the CP2 Investment Research process.

Proxy voting will be executed to maximize the investee company's value. On all voting matters, the relevant analyst will present a recommendation, along with justification for that recommendation, to the CP2 Investment Committee who will decide on the voting matter.

With respect to risks around corporate behavior, CP2 evaluates the investee company's governance methods using the process to determine their impact on firm value and the value of individual classes of securities. Where CP2 finds a governance method to be detrimental to firm value, or unjustly shifting value between classes of security holders, it will recommend that no investment be made in the company.

## **ITEM 18: FINANCIAL INFORMATION**

CP2 does not require or solicit payment of fees in excess of \$1,200.00 per client six months or more in advance. All client fees are charged in arrears in accordance with the specific Investment Management Agreement. CP2 is required in this Item to provide clients with certain material financial information or disclosures about its financial condition. To the best of CP2's knowledge and belief, it has no financial commitment that is reasonably likely to materially adversely affect its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy petition.

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