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This Brochure provides information about the qualifications and business practices of Aberdeen Asset Management Limited (“AAM Aus”). If you have any questions about the contents of this Brochure, please contact AAM Aus at +61 2 9950 2888. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

AAM Aus is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provides you with information about which you determine to hire or retain an adviser.

Additional information about AAM Aus is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Summary of Material Changes**

The final allotment of shares to Lloyds Bank plc in respect of the balance of the initial consideration payable for the acquisition of Scottish Widows Investment Partnership Group Limited occurred on 3 December 2014. Following the allotment, which had been delayed to allow regulatory approvals to be obtained in the UK and Overseas, Lloyds Banking Group plc and its subsidiary Lloyds Bank plc is now a 10% controller of Aberdeen Asset Management PLC (“AAM PLC”). Approval for the change of control was received from the FCA on 19 May 2014 and later extended.

Following December 3rd allotment of 17,310,991 shares, Lloyds Bank holds 131,800,000 shares (9.898%) of the issued share capital of AAM PLC directly. In addition, Lloyds Bank has an existing indirect shareholding of approximately (0.727%) by virtue of AAM PLC shareholdings currently being held by various other subsidiaries within the Lloyds Banking Group plc taking the total shareholding to 10.625%.

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## **Item 4 – Advisory Business**

### Our Firm

Aberdeen Asset Management Limited (AAM Aus) is located in Sydney Australia and is ultimately owned by Aberdeen Asset Management PLC (“Aberdeen PLC”). Aberdeen PLC was formed in 1983 via a management buyout and has been listed on the London Stock Exchange since 1991. AAM Aus has been registered with the SEC as an investment adviser since 1985. We share personnel, research and other resources with our affiliated US registered investment advisers, Aberdeen Asset Management Inc. (AAMI) in the United States, Aberdeen Asset Management Asia Limited (“AAMAL”) in Singapore and Aberdeen Asset Managers Limited (“AAML”) in the United Kingdom.

### Our Services

Asset management is our sole focus. We pride ourselves on original thinking and research. Our clients access our investment expertise drawn from three main asset classes: equities, fixed income and property, as well as alternative strategies. We invest worldwide and follow a predominantly long-only approach, based on fundamentally sound investments – we do not chase market fads. We offer investment advisory services with regard to investments in Australian securities to a variety of clients, insurance products, and pooled funds including investment companies registered under the Investment Company Act of 1940 (“1940 Act”). We offer professional money management services for separately managed accounts, which include giving continuous advice to clients based on individual needs concerning the investment of funds and related activities including, but not limited to, trading, cash management and recordkeeping. We manage or sub-advise various US registered investment companies. We serve as investment adviser to US open and closed-end funds. We provide investment services to open-end and closed-end funds registered outside of the US as well as various private or institutional mandates sourced globally. While these services have greatly evolved over time, one thing that has not changed is our mission to provide the highest quality investment management services.

We provide investment advice on Australian securities, as well as on the purchase and sale of foreign currencies, on both spot and forward exchange markets, together with advice on the retention or deposit of foreign currency balances pending investment. Advice concerning securities includes various types of equity and fixed income securities, including mortgage-backed securities, exchange-traded funds, and depository receipts representing interests in indexes or “baskets” of securities, such as SPDRs (Standard & Poor’s Depository Receipts).

Our investment advice may also include, but is not limited to, other products, such as futures contracts and options on futures contracts, structured notes, inverse floating rate securities, currency linked securities, index linked securities, currency forwards, pre-paid forwards, swaps, interest only or principal only securities, tender option bonds, property and other investments, the value or return of which may be derived from another instrument or underlying asset. In certain instances, such securities may have the effect of providing a degree of investment leverage, since they may increase or decrease in value in response to changes in other market factors. Our investment advice may also include real estate investment trust securities.

We also provide investment advice for risk-based asset allocation portfolios that invest across a wide range of global asset classes, using a fund of funds methodology that invests in both actively managed as well as passive funds. The asset classes within these portfolios may include (but are not necessarily limited to) US and non-US equities and bonds, as well as commodities, REITs, bank loans, global equity sectors and absolute return portfolios.

### Tailoring Services to Client Needs

We use a team-based approach to investment management. We typically manage client accounts on discretionary basis; however we will manage client accounts on a non-discretionary basis subject to client instruction. Clients have the ability to identify individual security restrictions, or other requested restrictions, they desire on their accounts. Accounts are managed in accordance with the objectives, mandates, or restrictions documented by the client and our services are tailored to each individual client’s requirements. These are generally included as part of the client’s written advisory contract but may be furnished as a separate investment policy statement. It is our policy that all necessary information and other instructions

are obtained and verified with supporting documents such as trust agreements, discretionary agreements, and power of attorney forms, if applicable, so that we can ensure that client investment recommendations are suitable in light of each client's needs, financial circumstances and investment objectives. Files are created and maintained that demonstrate the basis for these recommendations. The advisory or sub-advisory fee is subject to negotiation and is fully disclosed to clients.

#### Wrap Program Services

We currently do not participate in wrap fee programs although have the ability to under certain circumstances.

#### Assets Under Management

As of September 30, 2014, AAM Aus had approximately \$14,203,610,302 assets under management, \$12,791,969,016 of these assets are managed on a discretionary basis, while \$1,411,641,286 is managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

We bill clients for advisory services according to the fee schedule agreed to by the client and included in their investment management agreement. Generally, fees are paid monthly or quarterly in arrears based on assets outstanding at the close of each month, quarter or the average of the months within a quarter, or in advance based on assets outstanding at the end of prior month or quarter. AAM Aus will either invoice clients for these fees, or in certain situations deduct these fees from the client's custody account. In some instances, fee schedules are negotiable and can vary depending on a variety of factors such as the client, size of the account and the investment strategy selected.

All advisory arrangements may be terminated by either party upon prior written notice, according to the termination provisions outlined in the investment management agreement. If a contract is terminated, all advisory fees are subject to pro-rata adjustment based upon the date of termination. Upon termination of the agreement, any prepaid, unearned fee will be promptly refunded, and any earned, unpaid fees will be due and payable.

The following are our current annual fee schedules.

Strategy Name(s)	Minimum Account Size	Fee Schedule
Asia Pacific Equities (including Australia) (Regional, Single Country and Property Share)	\$100 million	1.00%
Asian Fixed Income (including Australia)	\$50 million	0.50%
Aberdeen Solutions	Negotiable	Negotiable

In addition to the advisory fees discussed above, clients may incur additional fees related to the services we provide. Clients may incur the fees and expenses charged by the custodian of client assets managed by us, as well as brokerage and other transaction costs associated with securities trades that we order on behalf of the assets in a client account.

We occasionally invest client assets in shares of open-end and closed-end investment companies and unregistered commingled funds which we or an affiliate may also advise. As a shareholder of such an investment company, a client may be subject to advisory fees (and other expenses) at the investment company level in addition to fees charged to the advised account. To the extent we invest client assets in affiliated funds we will ensure that clients are not double charged.

Neither AAM Aus nor any of our related persons generally receive additional compensation on client assets that are invested in sponsored funds.

For an additional discussion of brokerage and other transaction costs, please refer to Item 12 – Brokerage Practices of this Brochure.

## **Item 6 – Performance-Based Fees and Side-by Side Management**

We sometimes enter into agreements for performance-based fees with qualified clients. This may result in instances in which a portfolio manager concurrently manages accounts with different fee structures for the same strategy. This is referred to as “side by side” portfolio management and, in these instances, we will not determine allocations based on whether Aberdeen is participating in a trade or on the fee structure of the managed accounts participating in the trade. Furthermore, we may seed investment vehicles and make co-investments along with clients in property funds or direct property investments.

The potential management of different types of accounts and accounts with different fee arrangements (“side-by-side” management) may give rise to potential conflicts of interest. Registered funds, for example, generally pay management fees based on a fixed percentage of assets under management while separate accounts and private funds may have more varied fee structures potentially including performance-based incentives. We may have a material incentive to favour certain more lucrative accounts over those that may be less lucrative. Additionally, we may have a material incentive to favour accounts in which we, or our affiliates, have significant proprietary interest. For example, we have an incentive to allocate better performing securities to those accounts subject to performance fees rather than to those which are not. These performance fees may also incentivize the portfolio manager to take riskier positions than would have otherwise been initiated. Additionally, the calculation of performance fees is based upon a number of factors both within and out of our control. To mitigate these conflicts, we have adopted policies and procedures to ensure that investment decisions are made based in the best interests of our clients and without consideration of our financial interests.

To address such potential conflicts of interest, Aberdeen has adopted procedures and policies designed to:

- Identify practices that may potentially favor actively managed accounts in which an Investment Manager has an ownership and/or a greater pecuniary interest over actively managed accounts in which the Investment Manager has no ownership and/or a lesser pecuniary interest;
- Prevent the Investment Manager and Covered Persons (as defined in the policies and procedures) from inappropriately favoring some clients over others;
- Detect potential violations of such policies and procedures;
- Provide a process to review requests for waivers; and
- Promptly resolve any actual violations detected.

Portfolio Managers cannot trade in conflict with themselves – specifically, across the accounts that they manage. Portfolio Managers are prohibited from taking an ‘inconsistent position’ or placing an ‘inconsistent order’ in or for accounts that they manage without prior approval from the Department Head, provided such position does not represent a conflict of interest. Generally speaking, Portfolio Managers are prohibited from holding the same security long in some accounts and short in others, unless they are materially underweight in a long only account that must hold that security at some level for benchmark tracking purposes (as this would not appear to represent a conflict of interest).

In the event that a potential conflict of interest is identified, the Department Head and the Compliance Department will discuss the conflict and take appropriate corrective action. Compliance will also review the procedures in such instances to ensure that they are appropriately crafted to identify similar future conflicts of interest.

From time to time, the Investment Manager, its directors, officers, employees or affiliates (“affiliated persons”) may, directly or indirectly, have interests in securities owned by or recommended to the Investment Manager’s clients. As these situations may represent a potential conflict of interest, the Investment Manager has adopted a Code of Ethics (“Code”) in compliance with the requirements of Rule 17j-1 adopted under the 1940 Act and Sections 204A and 206 of the Investment Advisers Act of 1940, as amended, to govern personal transactions by directors, officers, and advisory personnel of the Investment Manager (“Access Persons”). For further detail on the Adviser’s Code of Ethics please refer to Item 11.

We also monitor for conflicts by implementing best execution trading procedures and reviewing account allocation and performance.

## **Item 7 – Types of Clients**

### Clients

Our client base includes a variety of institutional clients including corporate plans, non-profit organizations, public plans, governments, private investors, multi-employer plans, financial institutions, intermediaries, sub-advised funds and pooled investment vehicles, including both affiliated and unaffiliated US and non-US registered funds and US and non-US unregistered funds, among others. The requirements for opening any account will vary depending on the type of product and type of client. We have minimum account size requirements for certain accounts which may be waived at our discretion. Please refer to Item 5 – Fees and Compensation for additional information on minimum account size requirements.

### Privacy Policy

We recognize and respect the privacy concerns of our customers. We are strongly committed to protecting the privacy of client information and will not disclose any non-public personal information about our customers or former customers to anyone, except as permitted by law. In order to service your account and effect your transactions, we may provide your personal information to our affiliates and to financial service providers that assist us in servicing your account and have a need for such information, such as a broker-dealer, custodian or administrator. We may also provide client information to a third-party in situations where clients have given us consent to do so, at the request of a regulator or where we are required to disclose the information by law or regulation. We require third-party service providers and financial institutions with which we have joint marketing arrangements to protect the confidentiality of your information and to use the information only for the purposes for which we disclose the information to them. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your non-public personal information. We have adopted privacy policies and procedures that are designed to prevent the unauthorized disclosure and use of client non-public personal information.



## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **Equities**

We believe, given the inefficiency of markets, that competitive long-term returns are achieved by identifying high quality stocks at attractive valuations and holding for the long term. We believe that sound fundamentals drive stock prices over time. We employ a fundamental bottom-up investment approach based upon a rigorous and disciplined proprietary research effort which originates with direct company due diligence visits. As such, we place enormous importance on our access to management. This depth of analysis allows us to know our companies thoroughly and it is essential that we continue to monitor a company with repeat visits in order to satisfy ourselves of its eligibility for a portfolio in the first instance. Behind this process is a focus on downside risks; if we take care of those we believe the upside will take care of itself.

We estimate a company's worth in two stages: first quality, then price. Quality is defined in reference to management, business focus, balance sheet and corporate governance. We establish whether the business is run in the interests of all shareholders equitably. Additionally, we prefer companies that have the resilience to do well in a downturn, for example, avoiding those that have over-leveraged balance sheets. Price is determined relative to key financial ratios, market, peer group and business prospects. One of our key investment disciplines is to avoid over-paying.

The investment teams construct portfolios which represent those securities we believe to be high quality companies at reasonable valuations. Individual security weightings will reflect the comfort we have with companies, their business models, and their record of shareholder returns. The exact weighting – absolute and relative – will always be a matter of judgment, reflecting experience and hence something we regard as an art as much as science. Broader non-company specific considerations are secondary in the construction of the model portfolio, with diversification rather than formal controls guiding geographical and sector weights. We run the underlying portfolios, with an emphasis on traditional buy-and-hold, with top-slicing/topping up preferred to outright trades, resulting in generally low turnover.

We may also apply our quality and valuation framework to enter into short sales of companies where fundamentals are deteriorating and where our own estimates of future earnings and applied valuations are inconsistent with those discounted in the broader market.

### **Fixed Income**

Aberdeen's Fixed Income team manages portfolios that deploy strategies in three key disciplines: interest rate, currencies and credit. The investment process has its foundations in fundamental research (macroeconomic/sovereign and credit), which complements the team's market analysis culminating in market forecasts over a medium-term investment horizon across three key risk scenarios. This research and forecasts are an integral part of the active strategy development and investment management.

#### **Credit**

Aberdeen's process relies on the three key functions of Research, Relative Value, and Risk Management. With respect to our credit research, the key emphasis is on risk management which not only extends to how much credit risk is in the portfolio, but also avoiding lending to companies we don't confidently understand. The focus of our credit research assesses not only the credit worthiness of an issuer, but the additional complexities such as the jurisdictions, legal and operating environments in which the issuers operate. We complement our credit research activities with specialist insights from our regional corporate governance team and structuring/insolvency analysts. In addition to the bottom up security analysis and selection, we emphasise the necessity to quantify, analyse and manage the macro/top-down allocation to the credit.

From a top down macro perspective, we think carefully about how much overall credit risk is appropriate for the portfolio as well as the allocation of credit within representative well defined sectors. Our research efforts here, draws on macroeconomic/sovereign and market analysis of the team; country wide and sector wide credit fundamentals and the credit cycle; as well as broader market valuations. Along with the central case view, we develop material risk scenarios to better understand the level of risks around our central case view.

When assessing which companies to lend to, we look to avoid those issuers we don't confidently understand. The focus of our security research is establishing a level of conviction in the underlying credit. We assess not only the credit worthiness of an issuer, but the additional complexities such as the jurisdictions, legal and operating environments in which the issuers operate. Management quality, corporate governance and deal structure are also key areas of focus in establishing conviction and filtering out 'un-investable' credits – work supported by our regional corporate governance team, our structuring/insolvency specialists and our very experienced regional equity team.

## Macro

Aberdeen conducts investment activity in local rates, currencies and hard currency sovereigns, implementing the two cornerstones of the Aberdeen investment philosophy: We are fundamentally driven investors, and believe that fundamentals are the key determinant of value over the long run; and we believe market inefficiencies cause deviations from fundamental value providing opportunities to adding value through an active investment approach. Core to our investment process are three key disciplines: Research, Relative Value, and Risk Management.

Our rigorous fundamental analysis is based on structured country research and supplemented by local resource. Thus it is used to identify the idiosyncratic factors, complemented by an assessment of the correlations between factors.

Research is framed in a disciplined, consistent (medium-term) time horizon and common risk assessment with regular global interactions and disseminated in a uniform format. Research and investment activity is integrated; investment professionals perform on-the-ground analysis. Our investment professionals are insightful and critical, prepared to challenge consensus when appropriate. We use scenario-based forecasts to convey expectations and risks, and to facilitate objective asset allocation. Idea generation draws from our global macro resources and other investors in the equity, credit and multi-asset teams.

Our process uses our forward looking risk adjusted assessments to identify relative value across the global opportunity set. Ideas are tested with reference to our forecasts and, importantly, the most likely risks. Market access and liquidity are considered for all opportunities, informing the relative value decision.

We make decisions with the intention to deliver superior risk adjusted excess returns. Identifying, measuring and managing risk is integral to the entire investment process and portfolio construction. This is achieved in a number of ways: our teams are well resourced; scenario analysis gives us a framework for expressing risks; we are critical, and apply common sense and judgement to quantitative results; the sizing and scale of our positions are commensurate to targeted performance and risk/return trade-off; we use position analytics and attribution; and we have a sense of ownership and accountability – responsibility is distributed throughout the portfolio team.

## **Aberdeen Solutions – Investment Solutions**

Aberdeen's Investment Solutions division delivers multi-asset investment solutions to our clients through a range of funds and investment-related services. Service delivery is accomplished through channels that best suit client needs, including pooled funds, bespoke portfolios and advisory services. The broad skill sets within the Investment Solutions team include strategic and tactical asset allocation, manager selection, portfolio construction and dynamic risk management.

We believe that attractive risk-adjusted returns can be achieved from multi-asset investing. Over the longer term, all asset classes are driven by economic fundamentals; by identifying inefficiencies in valuations between markets (which occur over both shorter and longer time periods) we believe that value can be added to client portfolios through dynamic allocations to different assets and markets. This philosophy applies as equally to mainstream asset types such as equity, fixed income, and cash as it does to alternative asset classes, including real estate, venture capital, private equity and hedge funds. We aim to deliver the appropriate balance between risk and return by diversifying across a wide range of traditional and alternative

assets and by actively managing the asset allocation and underlying investments. We divide the key elements of the investment process into two broad categories of Research and Portfolio Management:

#### Research

Research is undertaken on both markets (Global Strategy) and managers (Manager Selection), including research on Aberdeen's own products within single asset class strategies. The research output provides market views at the asset class and sub asset class level as well as a fund, or vehicle/strategy buy list, both of which provide a platform for portfolio managers to build portfolios. Within the Portfolio Management function, there are specialist roles focusing on portfolio modeling and construction as well as implementation. Portfolio managers work as a team alongside the research function with individuals overseeing different client categories while managing different types of portfolios.

#### Global Strategy

The Global Strategy team is primarily responsible for providing Portfolio Managers with input on market research. The team has two primary tasks with regard to the inputs provided to portfolio managers. It first produces long term expected returns that are used in designing the long term strategic allocation of portfolios. Those expected returns result from both quantitative modeling and long term macro and financial views.

Secondly, on a shorter term horizon (3 to 12 months), the team provides views on asset classes and markets that are used by the portfolio managers as a global framework to make their tactical asset allocation decisions. Those views are summarized through a core scenario as well as alternative scenarios representing the relative risks to our core scenario. The scenarios are discussed and agreed upon at the monthly Investment Policy Committee meeting involving the Global strategy team and the heads and senior management of the portfolio management teams.

#### Manager Selection

Our Manager Selection team undertakes research into third-party managers/funds and Aberdeen managed funds. The team undertakes thorough due diligence to identify the best available funds across different asset classes and investment styles. The due diligence process involves both quantitative and qualitative assessment of a number of key criteria, such as: management company; staff; operations; mandate; risk management process; and investment process. The approved funds are then added to our global buy list (i.e. our universe of investible external funds plus eligible Aberdeen funds). The funds on the global buy list are used by portfolio managers in constructing portfolios.

#### Asset Allocation

We believe that active allocation, underpinned by rigorous research is the key to successful client outcomes, and the following principles are at the heart of our philosophy. We believe that there are 3 layers of value-add opportunity: Strategic Asset Allocation (SAA); Tactical Asset and Sub-Asset Class Allocation (TAA); and Manager Skill. This is best achieved through the power of collective wisdom underpinned by rigorous research which is delivered through a combination of quantitative analysis and qualitative judgment.

The outputs from the Global Strategy research and the Manager Selection process are used by the Portfolio Management teams to inform asset allocation decisions. The asset allocation views and preferred funds identified at this stage will then be provided to the Portfolio Construction team.

#### Portfolio Construction

Portfolio construction aims to achieve, in a transparent and consistent manner, the appropriate risk-return trade-off for each portfolio. Based on the asset allocation views expressed by the portfolio management teams, and the preferred funds, a set of model portfolios are produced reflecting the different investment styles/policies of existing client's portfolios. Portfolio construction is based on both quantitative and judgmental inputs. There are three steps in portfolio construction, during which there is full interaction between the portfolio management teams and the portfolio construction team to arrive at the model portfolios.

The first step is to design a long term strategic allocation using the long term expected returns as defined by the Global Strategy team. This step takes place once a year or when a new portfolio is created. Optimization

is a fundamental aspect of the long term strategic allocation planning. The second step derives the tactical allocation weights from the strategic allocation and the tactical allocation views from the portfolio managers. We also take into account the specific guidelines and the level of risk appetite to define the magnitude of the weights. The third step formalizes the model portfolio that will be used as a reference by portfolio managers for final implementation of the real portfolios. The model portfolio results from iterative work where different specific risks (VaR, tail risk, factor sensitivities, manager clustering, etc.) are analyzed in the context of portfolio holdings. These provide a full understanding of the underlying risks of the portfolio.

Our portfolio decomposition system provides us an evaluation of the Value-at-Risk (VaR) of the portfolio at any given point, and also its decomposition into underlying holdings, strategies, and geographic markets. Estimation of tail loss is continually made and is used to de-risk portfolios if necessary. We examine factor exposures with a view to ensuring that any particular exposures are appropriate and intentional. This analysis can go beyond simple asset class labels and incorporate underlying risk premium, both traditional and alternative. Based on these risk analyses the model portfolio is then finalized.

#### Implementation

Each model portfolio which is representative of a number of (or a single) real portfolio is then used by portfolio managers to derive the construction of real portfolios. Given that the set of real portfolios following a model may differ slightly from each other in terms of risk/return objectives or client guidelines, the portfolio manager applies discretion in constructing the real portfolios. The ultimate portfolio composition is at the discretion of the Portfolio Management team, but the quantitative and qualitative rigor of model portfolios is used as important guidance to manage the risks in each client mandate.

### **Risk of Loss**

As with any investment, there is no guarantee that your portfolio will achieve its investment objective. Below is a summary of the material risks associated with our significant strategies and methods of analysis. Investing in securities involves risk of loss that clients should be prepared to bear; however, clients should be aware that not all of the risks listed below will pertain to every account as certain risks may only apply to certain strategies. Given the volume of new rules and regulations in the industry, we are continuously reviewing the application of our risks.

#### **General Risks**

Allocation Risk – The allocation among different investment opportunities may have a significant effect on a portfolio's value when one of these investments is performing more poorly than others. There will be transaction costs which may be significant over time because both the direct investments and derivative positions will be adjusted periodically to reflect our view of market and economic conditions. In addition, there is a risk that certain allocation decisions may not achieve the desired results and, consequently, a portfolio may incur losses.

Borrowing Risk – Borrowing creates leverage. The use of leverage may subject investments to additional risk and could magnify losses. It also adds to any given portfolio expenses, and at times could effectively force a portfolio to sell securities when it otherwise might not want to do so.

Business Continuity Risk – We have adopted a business continuity plan to maintain critical functions in the event of a partial or total building outage affecting our offices or a technical problem affecting applications, data centers or networks. The plan is designed to limit the impact on clients from any business interruption or disaster. Nevertheless, our ability to conduct business may be curtailed by a disruption in the infrastructure that supports our operations and the regions in which our offices are located.

Concentration Risk – The risk that if a portfolio concentrates its investments in issuers within the same country, state, industry or economic sector, an adverse economic, business or political development may affect the value of the portfolio's investments more than if its investments were not so concentrated.

Counterparty Risk – A portfolio may be exposed to the credit risk of counterparties with which, or the brokers, dealers, custodians and exchanges through which, it deals in connection with the investment of its assets, whether engaged in exchange-traded or off-exchange transactions.

Currency Risk – Fluctuations in currency exchange rates may negatively affect the value of your portfolio's investments or reduce its returns.

Derivatives Risk – Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for your portfolio, and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, your portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses.

Emerging Markets Risk – Foreign investment risk may be particularly high if a portfolio invests in emerging market securities that are economically tied to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries.

Focus Risk – A portfolio which invests a larger percentage of its assets in a relatively small number of issuers may be subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by a portfolio may affect the overall value of the account more than it would affect an account that holds a greater number of investments.

Foreign (Non-U.S.) Risk – A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. The prices of these securities may fluctuate more widely and may be less liquid due to adverse market, economic, political, regulatory or other factors.

Initial Public Offering ("IPO") Risk – Prices of securities bought in an IPO may rise and fall rapidly, often because of investor perceptions rather than economic reasons.

Investment Company and Exchange-Traded Fund ("ETF") Risk – An investment in an investment company or ETF involves substantially the same risks as investing directly in the underlying securities. An investment company or ETF may not achieve its investment objective or execute its investment strategy effectively, which may adversely affect your portfolio's performance. A portfolio must pay its pro-rata portion of an investment company's or ETF's fees and expenses. Shares of a closed-end investment company or ETF may trade at a premium or discount to the net asset value of its portfolio securities.

Issuer Risk – The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

Legal Environment Risk – The interpretation and application of decrees and legislative acts can often be contradictory and uncertain, particularly with respect to matters relating to taxation. State governmental bodies and judges may not adhere to the requirements of the law and the relevant contract.

Liquidity Risk – In certain situations, it may be difficult or impossible to sell an investment in an orderly fashion at an acceptable price.

Management Risk – We will apply our investment techniques and risk analyses in making investment decisions for your portfolio, but there is no guarantee that our techniques will produce the intended results. For research or investment techniques that incorporate, or rely upon, quantitative models, there is no guarantee that these mathematical models will generate accurate forecasts, reduce risks or otherwise produce the intended results.

Market Risk – The value of a portfolio's assets will fluctuate along with the markets. The value of your investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.

Non-Diversification Risk – A portfolio may invest in securities of a relatively few issuers. Therefore, the performance of one or a small number of holdings can affect a portfolio's overall performance.

Operational Risk – A portfolio may suffer a loss arising from shortcomings or failures in internal processes, people or systems, or from external events. This risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.

Political and Economic Risk – Economic and/or political instability could lead to legal, fiscal and regulatory changes or the reversal of legal, fiscal, regulatory and/or market reforms.

Pricing Risk – If market conditions make it difficult to value some investments, we may internally value these investments using more subjective methods such as fair value pricing. In these cases, the value determined for an investment could differ from the value realized upon such investment's sale.

Short Sale Risk – Short sales are subject to special risks. A short sale involves the sale by an account of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. An account may also enter into a short position through a forward commitment or a short derivative position through a futures contract or swap agreement. If the price of the security or derivative has increased during this time, then the account will incur a loss equal to the increase in price from the time that the short sale was entered into plus any premiums and interest paid to the third party. Therefore, short sales involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment.

Small-Cap and Mid-Cap Company Risk – Investments in securities issued by small- and mid-capitalization companies involve greater risk than investments in large-capitalization companies. The value of securities issued by small- and mid-cap companies may fluctuate, sometimes rapidly and unpredictably, due to narrower markets and more limited managerial and financial resources than their large-cap counterparts, and therefore may increase the volatility of the account's portfolio.

Tax Risk – Tax laws and regulations applicable to an account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisers to determine the potential tax-related consequences of investing.

Valuation Risk – The lack of active trading markets may make it difficult to obtain an accurate price for a security held in a portfolio.

## **Equities Risks**

Equity Securities Risk – Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Equity securities also include, among other things, preferred stocks, convertible stocks and warrants. The values of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. Your portfolio at any point in time may be worth less than the amount that you invested, even after taking into account the reinvestment of dividends and distributions. Regardless of how well an individual investment performs, if financial markets go down, you could lose money.

Growth Investing Risk – As a category, growth stocks may underperform value stocks (and the stock market as a whole) over any period of time. Because the prices of growth stocks are based largely on the expectation of future earnings, growth stock prices can decline rapidly and significantly in reaction to negative news about such factors as earnings, the economy, political developments, or other news.

**Value Investing Risk** – As a category, value stocks may underperform growth stocks (and the stock market as a whole) over any period of time. Value investing attempts to identify companies that a portfolio manager believes to be undervalued. Value stocks typically have prices that are low relative to factors such as earnings, cash flow or dividends. A value investing style may perform better or worse than equity portfolios that focus on growth stocks or that have a broader investment style.

### **Fixed Income Risks**

Debt securities in which an account may be invested may be unrated or lower-rated, and may have a risk profile closer to that of an equity security. Compared to other debt securities, those issues with the lowest investment-grade ratings (often called "junk bonds") are considered to have speculative characteristics. Debt securities that are below investment grade or unrated generally are considered predominately speculative with respect to the issuer's capacity to pay interest and repay principal according to the terms of the obligation and, therefore, carry greater investment risk, including the possibility of default and bankruptcy. They are likely to be less marketable and more adversely affected by economic downturns than high-quality debt securities. The accounts may invest in debt securities without considering the maturity of the instrument. Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities can be more sensitive to interest rate changes. Therefore, changes in interest rates both in the U.S. and outside the U.S. may affect the accounts' debt investments unfavorably.

The value of a convertible security will vary based on the perceived value of the equity security underlying the convertible security. Convertible securities are frequently issued with a call feature that allows the issuer to choose when to redeem the security, which could result in the accounts being forced to redeem, convert, or sell the convertible security under circumstances unfavorable to the accounts. In addition, if the value of the equity security underlying the convertible security declines enough, the convertible security is more likely to be valued as a debt security and subject the accounts to the risks of debt securities as described above.

AAM Aus also may purchase on behalf of client accounts privately placed securities, swaps, notes and bonds issued by foreign governments, including countries with emerging securities markets. AAM Aus may also invest in notes, baskets, or warrants which replicate the performance of an underlying security for which investment in the local market or in ADRs or GDRs would be difficult and/or costly.

### **Derivative Transactions**

AAM Aus may enter into derivative transactions for its clients as long as such transactions are consistent with the client's guidelines.

Derivatives can be highly volatile and involve risks in addition to the risks of the underlying investment, index or rate. Derivatives involve special risks including correlation, counterparty, liquidity, operational and tax risks. Investing in derivatives also requires a specific skill set and may result in losses. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses. Gains or losses from derivatives can be substantially greater than the derivatives' original cost. Derivatives can be complex instruments and can involve analysis that differs from that required for other investment types used on behalf of client accounts. If the value of a derivative does not correlate well with the particular market or other asset class to which the derivative is intended to provide exposure, the derivative may not have the anticipated effect. Derivatives can also reduce the opportunity for gain or result in losses by offsetting positive returns in other investments. Derivatives can be less liquid than other types of investments. Derivatives allow a portfolio to increase or decrease the level of risk to which the portfolio is exposed more quickly and efficiently than transactions in other types of instruments.

AAM Aus may use derivatives on behalf of client accounts for both hedging and non-hedging purposes to seek to enhance returns. Where permissible by the client guidelines, a derivative may be used for non-hedging if a client portfolio is seeking to achieve gains, rather than hedging risk. When derivatives are used for non-hedging purposes, the client's portfolio will be fully exposed to the risks of loss on that derivative, which may sometimes be greater than the derivative's cost. AAM Aus may increase its use of derivatives in response to unusual market conditions.

Hedging is a strategy in which a derivative is used to offset the risks associated with portfolio holdings. For example, losses on the investment may be reduced by gains on a derivative that reacts in an opposite manner to the investment portfolio. While hedging can reduce losses, it can also reduce or eliminate gains or cause losses if the market moves in a manner different from that anticipated by AAM Aus or if the cost of the derivative outweighs the benefit of the hedge. Hedging also involves correlation risk—i.e., the risk that changes in the value of the derivative will not match those of the holdings being hedged as expected by AAM Aus's investment team. In such cases, any losses on the holdings being hedged may not be reduced or may be increased. The inability to close options and futures positions also could have an adverse impact on AAMI's ability to hedge effectively client portfolios. There is also a risk of loss by a client portfolio of margin deposits or collateral in the event of the bankruptcy of a broker with whom the AAM Aus has an open position in an option, swap, a synthetic futures contract or a related option on behalf of a client account.

Credit/Default Risk – An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.

Credit Spread Risk – Changes in credit spreads will affect the value of financial instruments. Credit spreads represent the credit risk premiums required by market participants for a given credit quality. When credit spreads widen, the value of investments in fixed income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Credit spreads can be driven by macroeconomic factors as well as issue specific factors.

Forward Commitment Risk – When a portfolio engages in when-issued, delayed delivery or forward commitment transactions (e.g., “to be announced” securities or TBAs), the portfolio relies on the counterparty to consummate the sale. Failure to do so may result in the strategy missing the opportunity to obtain a price or yield considered to be advantageous. Such transactions may also have the effect of leverage on the strategy and may cause it to be more volatile. Additionally, these transactions may create a higher portfolio turnover rate.

High Yield Risk – Portfolios that invest in high yield securities, lower or unrated securities, may be subject to greater levels of credit and liquidity risk than accounts that do not invest in such securities. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and lead to liquidity risk. If the issuer of a security is in default with respect to interest or principal payments, an account may lose its entire investment.

Inflation-Indexed Bond Risk – Any rise in interest rates may cause inflation-indexed bonds to decline in price, hurting the portfolio's performance. If interest rates rise owing to reasons other than inflation, the portfolio's investment in these securities may not be fully protected from the effects of rising interest rates. The performance of any bonds that are indexed to non-US rates of inflation may be higher or lower than those indexed to US inflation rates. A portfolio's actual returns could fail to match the real rate of inflation.

Interest Rate Risk – Changes in interest rates will affect the value of a portfolio's investments in fixed income securities. When interest rates rise, the value of investments in fixed income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.

Inverse Floating Rate Securities Risk – The interest payment received on inverse floating rate securities “inverse floaters” generally will decrease when short term interest rates increase. Inverse floaters are derivatives that involve leverage and could magnify a client's gains or losses.



Mortgage-Related and Other Asset-Backed Securities Risk – Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. Consequently, in a period of rising interest rates, if an account holds mortgage-related securities, it may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of an account because the account may have to reinvest that money at the lower prevailing interest rates. A portfolio's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

Municipal Securities Risk – A portfolio may be impacted by events in the municipal securities market. Negative events, such as severe fiscal difficulties, an economic downturn, unfavorable legislation, court rulings or political developments, or reduced monetary support from the federal government, could hurt a portfolio's performance.

Short Term Trading Risk – Short-term trading may result in increased turnover, higher than normal brokerage commissions (including soft commissions) and other expenses.

#### **Alternative Risks (Aberdeen Solutions)**

Absence of Recourse to the General Partner – Governing documents often limit the circumstances under which a general partner, manager and their affiliates can be held liable to a real estate fund or a fund. As a result, investors may have a more limited right of action in certain cases than they would otherwise have in the absence of this provision.

Business and Regulatory Risk – Legal, tax and regulatory changes may occur in the future that may adversely affect investors. The effects of any future regulatory change are impossible to predict and could have substantial adverse effects on both investors and investment strategies.

Cash Flow Risk – The yields available from equity investments in real estate depend in large part on the amount of income generated and expenses incurred. If the investments do not generate revenues sufficient to meet operating expenses, including debt service, tenant improvements, leasing commissions and other capital expenditures, clients may be required to fund or borrow additional amounts to cover these fixed costs, and the cash flow of such client account (and, with respect to investment funds, its ability to make distributions to shareholders) will be adversely affected. Although each client will be investing in a range of investments, all real estate investments are speculative in nature and the possibility of partial or total loss of capital exists.

Changes in Underlying Managers – It is expected that in the instance of the redemption of assets or termination of an underlying manager, the resultant assets and cash proceeds will be invested with a replacement underlying manager. This could result in increased turnover rates and higher corresponding brokerage fees and commissions.

Competitive Investment Environment – Property markets involve a significant degree of uncertainty and competition. We may, at times, be in competition with other funds and managers with similar investment objectives for the acquisition of the same targets. This may have adverse effects on investment objectives and returns and, at times, may result in not being able to enter, even partially, into a targeted investment position.

Conflicts of Interest – Due to the structure of Aberdeen, it is possible that we may hold or trade the same securities and instruments as our underlying fund managers in which we invest. Additionally, we may utilize similar techniques and strategies as those adopted by our underlying fund managers. As a result, we may directly or indirectly compete with our underlying managers and investment vehicles on an arm's length basis. In the event that knowledge of a conflict of interest does arise, we will endeavor to ensure that it is resolved fairly and at arm's length.

Convertible Bond Arbitrage – Underlying fund managers may engage in convertible bond arbitrage and the positions intended to offset one another may not move as expected. In addition to the risks associated with fixed income, these types of strategies have risks associated with equity investments. Although the underlying fund manager is expected to hedge all equity exposure, there can be no assurance that such exposures won't exist or that such hedges will be effective.

Cross-Class Liabilities – If the investment vehicle held by the underlying manager offers multiple share classes, there is the potential that losses in a share class not held may have an adverse effect on its NAV.

Currency Hedging Risks – There can be no guarantee or assurance that any attempt to protect against adverse currency movements will be successful. As such, hedging transactions may result in a poorer overall performance and any realized loss resulting from these currency hedging strategies may also affect the level of redemptions required of our underlying managers. In extreme circumstances, this may result in the concentration of the underlying manager's investments in less liquid or illiquid investments.

Deterioration of Market Conditions – In the case of extreme and continued market disruptions, attractive investment returns may be adversely affected. Continued market disruption or deterioration of market conditions and uncertainty could result in decreases in the market values of existing or potential investments. Additionally, liquidity may be affected, resulting in the inability to sell or liquidate investments at favorable times or prices. These circumstances may adversely impact the ability to meet investment objectives.

Dilution Levy Risk – Investment in underlying funds may subject the investor to dilution levies, which are fees charged by fund managers on investors buying and selling units in a fund. These fees may be applied at any combination of the purchase and sale of a unit and may have adverse effects on the returns of the investment.

Distressed Investments – Underlying fund managers may invest in securities and obligations of companies that are experiencing financial or business difficulties including companies involved in bankruptcy or other reorganization and liquidation proceedings. These investments involve a substantial degree of risk and may not compensate investors adequately for the risks they assume. Due to the degree of complexity and unpredictability of bankruptcy and other insolvency proceedings, investors may be adversely affected.

Due Diligence Process – The due diligence process that we intend to undertake may not reveal all material facts or circumstances. Any due diligence process involves subjective analysis and there can be no assurance that this process will reveal all issues related to the potential allocation of assets to underlying fund managers.

Effect of Substantial Redemptions – Redemptions by investors in the underlying funds held by the strategy within a short period of time may require the underlying fund manager to liquidate positions more rapidly than desired. This may lead to a reduction in value of the underlying funds' assets or a disruption of the investment strategy. Additionally, this may lead to an increase in the concentration of the underlying funds in illiquid assets which could, in turn, reduce the liquidity of the shareholder's position.

Event Arbitrage – Arbitrage opportunities may exist in securities which are subject to tender offers, exchange offers, mergers, liquidations, reorganizations, bankruptcies or other extraordinary corporate transactions. Although it is expected that the underlying fund managers hedge such exposures, there can be no guarantee that these hedges will either be in place or be effective.

Fund of Funds Risk – Because the strategy invests in underlying funds, the strategy's relative performance is affected by the performance of the underlying funds. Because the strategy may invest in a few underlying funds, the performance of a small number of underlying funds could affect overall performance. The strategy also indirectly pays a portion of the expenses of the underlying funds, which lowers performance. Allocations to underlying funds with higher expenses will cause the overall expenses of the strategy to be higher.

Illiquidity of Property Investments – Property investments are, by nature, illiquid. There may be no public market for our target investments and there is a risk that we may be unable to fully realize our investment objectives as the result of undesirable terms upon the exit of a position.

Insider Information – We may, from time to time, come into possession of confidential information that is both material and non-public. For regulatory and contractual reasons we may not be permitted to disclose or act upon this information. The result may be the inability to fully communicate all knowledge of an investment to an investor.

Insurance Risk – When owning or managing properties there are additional risks that might not present themselves as compared to traditional asset classes. While the properties may in some cases be insured, this is no way an insurance of investment or principal and there are various uninsured and/or uninsurable risks that are present (such as natural disaster) and therefore investment carries greater risk of loss.

Key Person Risk – Underlying funds are generally reliant on certain key investment personnel employed in managing assets. Termination, disability, death, or departure of key personnel could adversely affect the underlying fund and its performance.

Lack of Management Rights – Investors will have no opportunity to control the day-to-day operation of the funds in which clients or Aberdeen Funds invest, including investment and disposition decisions. Funds have no affiliation with any underlying real estate fund. Rather, they are solely an investor in each typically without special rights or privileges. Investors have no contractual relationship with, or any direct legal rights with respect to, any underlying fund in which an Aberdeen Fund invests.

Lack of Transparency Risk – Underlying funds' securities are generally offered on a private placement basis and are subject to limited regulation, disclosure and reporting requirements. Therefore, only a relatively small amount of publicly available information about underlying funds, their holdings and performance will be available in managing and assessing the client's investment.

Liability for Return of Certain Distributions – Under the law of many states, investors will generally not incur personal liability for the liabilities and obligations of a fund in excess of their unfulfilled obligation to make capital contributions. However, in the event that a given fund is unable to otherwise meet its obligations, the investors in that fund may be required to repay to the funds or pay to creditors of the fund distributions previously received by them to the extent such distributions are deemed to have been wrongfully paid to them (e.g., distributions paid while the fund was insolvent). In addition, the investors may be required to repay to the fund any amounts distributed that are required to be withheld by the fund for tax purposes. Furthermore, the governing agreements often provide that participating investors may be required to return certain distributions. To the extent that the fund is required to return to a real estate fund any distributions made by that real estate fund to the fund, each of the investors will be required to return a corresponding amount of distributions paid to the investors by the fund.

Limited Operating History – The underlying fund managers may have relatively short operating histories upon which they can be evaluated. There can be no assurance that assessments and projections will prove accurate and that investment objectives will be achieved.

Liquidity and Valuation of Underlying Investments – Underlying fund managers may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices for these derivative, credit-sensitive, or highly illiquid securities tend to be volatile and may result in undesirable terms upon the exit of a position. Additionally, valuation may be difficult to obtain or unreliable, potentially adversely affecting the NAV of the fund.

Management of Other Accounts by Underlying Managers – Underlying fund managers may manage the accounts and assets of other clients that may be different from, or opposite of, the advice and services provided to our clients.

Multi-Jurisdictional Investment – The investments we make may be subject to a variety of jurisdictions, each of which may have unique economic, political, social, cultural, business and labor environments, laws,

regulations, accounting practices and business customs. These differences may be considerable and no single method of investment can be applied uniformly or be expected to produce uniform results.

Multi-Manager Investing Risk – A strategy's relative performance is subject to the investment decisions made by each underlying fund. The performance of a small number of underlying funds could affect overall performance. Additionally, underlying funds may compete with one another from time to time for the same positions in the market and may potentially hold opposite positions in the same securities. As a result, there can be no assurance that a diversification strategy implemented will be successful.

Multiple Levels of Fees and Expense Risk – Investment in a multi-manager strategy will generally incur certain fees at two levels: the fund of funds vehicle and the underlying funds themselves. These fees potentially include both management and performance fees, which may increase the expense of the strategy, thus affecting investor returns. Additionally, investor returns may be adversely affected during periods in which there are overall portfolio losses due to the potential that performance fees may be earned by one or more of the underlying portfolio managers.

Opportunity Driven Decisions – We may, at times, be required to make certain investment decisions quickly to take advantage of opportunities as they arise. Although we desire to have frequent communication with investors and provide detailed information to them, they will not be able to approve underlying investment decisions. These decisions lie with the portfolio manager and may be executed on the basis of incomplete or less detailed information regarding the circumstances that may affect the success of the investment.

Performance-Based Compensation Agreements – Due to the nature of these investments, performance-based fees are often received as compensation. These fees may result in substantially higher payments to fund managers than alternative arrangements and may incentivize these managers to take riskier, more speculative positions than would have been taken had the compensation agreement been devoid of performance fees.

Political and Economic Risks – Our investments may be affected by unforeseen domestic or foreign political developments, civil disorder or constitutional crises. Abrupt changes of policy with regard to taxation, the government's fiscal and monetary stance, currency repatriation and other economic regulations are also possible, including expropriation, nationalization, or confiscation of assets or changes in legislation regarding the permissible share of foreign ownership of companies or assets. These events are unpredictable and may have significant adverse effects on the performance of our investments.

Portfolio Valuation – The valuation methodologies of the assets of the underlying funds is in the control of the underlying fund manager and may not be consistent among the fund managers in which the strategy invests. Additionally, it may be difficult for these underlying fund managers to successfully obtain reliable prices for the investments they hold for valuation purposes and the use of estimation may be required. These values may ascribe either a premium or a discount to a given investment which could potentially have adverse effects on the NAV of the underlying fund.

Pricing Risk – The calculation of the NAV of the Fund or any particularly unit invested in the Fund may be based upon an estimate of the NAV of one or more investments. These estimates may be either current or historical and may ascribe a premium or discount to the NAV. The subsequent NAV of an investment or fund unit may differ from the actual NAV despite our best efforts for accurate valuations.

Real Estate Risk – We will be subject to the risks inherent in the ownership, operation, repositioning and development of real estate and real estate-related businesses and assets. These risks include, but are not limited to, the burdens of ownership of real estate property; general and local economic conditions; the supply and demand for properties; the competition for real estate assets; energy and supply shortages; fluctuations in the average occupancy and room rates for hotel properties; the financial resources of tenants, buyers and sellers; changes in building, environmental and other laws and/or regulations; changes in real estate property tax rates; changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; negative developments in the economy that depress travel activity; environmental liabilities; contingent liabilities on disposition of assets; uninsured or uninsurable casualties; natural disasters, terrorist attacks; and war and other factors which are beyond our control. There is no assurance that there will be a ready market for resale of investments because investments

will generally not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by our firm or our investments.

Repurchase Agreements Risk – In the instance that an underlying fund manager enters into a repurchase agreement for a security, there can be no guarantee that the transferee of the securities in the agreement will not default. Therefore, any investment of the sort bears the risk of default of the transferee.

Restrictions on Transfer and Illiquidity of Shares – The shares held in a fund of hedge funds and the underlying funds are generally not registered under any securities laws and, therefore, cannot be resold in a public market. Consequently, investors do not have the right to withdraw their investment other than in accordance with the prescribed redemption procedures of the underlying funds. These redemption procedures may be suspended due to certain circumstances that could further affect withdrawals. This potential illiquidity of shares could adversely affect NAV and result in delays in receiving redemptions.

Risks Associated with Commercial Mortgage Loan – Our clients and funds may invest in real estate investments which in turn invest in commercial mortgage loans and other debt instruments. The value of such real estate investment's commercial mortgage loans will be influenced by changes in interest rates, the market demand for loans of certain terms and structures, and the historical rate of delinquencies as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include: (1) economic and real estate market conditions by industry sectors (e.g., multi-family, retail, office, etc.), (2) the terms and structure of the mortgage loans, and (3) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Short-Term Trading – Underlying managers may engage in short-term trading. This may result in increased turnover, higher-than-normal brokerage commissions (including soft commissions), and other expenses over which we will have no control.

Supervision – The level of supervision of investments may vary from country to country. As such, investors may not benefit from equal and comparable protections while invested in a diversified portfolio.

Taxation – Investors generally will be allocated a portion of the taxable income of a real estate fund in which it invests, regardless of whether it receives current distributions from such funds. If the distributions from a fund are insufficient, the investors could incur taxable income without a corresponding receipt of cash. Investors are often given the opportunity to elect to reinvest distributions made to them by the fund. Therefore, a limited partner electing to reinvest will not receive any cash to cover taxable income from the fund, unless such limited partner requests a redemption, subject to certain restrictions.

Use of Subscription Proceeds Prior to Dealing Days – At the discretion of the directors, subscription monies may be received from investors prior to the dealing day to which such subscription relates. These subscription monies may not result in the investor becoming a shareholder of the fund to which the subscription relates. This possibility exposes the investor to potentially adverse effects related to the return of such a subscription.

## **Item 9 – Disciplinary Information**

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

## **Item 10 – Other Financial Industry Activities and Affiliations**

We are committed to providing clients with service of the highest quality and we are guided by the principle that we act in the best interests of our clients. Nevertheless, there are circumstances where client interests conflict with our interests or the interests of other clients. Some of these conflicts of interest are inherent to our business. We have policies and procedures that are designed to ensure that we are always acting in the best interests of our clients.

Because we are a wholly-owned subsidiary of Aberdeen PLC, a global financial services company, we are affiliated with various US investment advisers, a broker-dealer and pooled investment vehicles, among other financial entities. We occasionally may engage in business activities with some or all of these companies, subject to our policies and procedures governing how we handle conflicts of interest. We may use our affiliates to provide other services to our clients to the extent permitted under applicable law.

We provide advice for a number of clients. We may advise some clients or take actions for them that differ from recommendations or actions taken for other clients. We are not obligated to recommend to clients any investments that we may recommend to or purchase or sell for other clients. Our employees regularly share information, perceptions, advice and recommendations about market trends, the valuations of individual securities, and investment strategies, except where prohibited by ethical walls established by us or by applicable law or regulation. Persons associated with us may have investments in securities that are recommended to clients or held in client accounts, subject to compliance with our policies regarding personal securities trading.

AAM Aus not serve, or have an application pending to serve, as commodity trading adviser, a futures commission merchant or a commodity pool operator for clients.

### Investment Companies

We serve as an investment adviser for a number of US registered investment companies. We also serve as a sub-adviser for various other US registered investment companies.

### Investment Adviser

In rendering investment advisory services, we may use the resources of additional investment adviser subsidiaries of Aberdeen PLC. These affiliates have entered into a memorandum of understanding (“MOU”) with us pursuant to which investment professionals from each affiliate may render portfolio management, research or trading services to our clients. We may share personnel, research and other resources with our affiliated US registered investment advisers Aberdeen Asset Management Inc. (“AAM Inc”) in the United States, Aberdeen Asset Management Asia Limited (“AAMAL”) in Singapore and Aberdeen Asset Managers Limited (“AAML”) in the United Kingdom under our personnel sharing procedures.

In executing trades on behalf of our clients, we may use the resources of our Aberdeen PLC affiliates. These affiliates have entered into a global trading agreement pursuant to which professionals from each affiliate may execute trades on behalf of our clients. The use of affiliates to execute trades under the global trading agreement does not alter or change the entity making investment decisions for the client accounts.

### Business Alliance

Aberdeen PLC has entered into a business and capital alliance with Mitsubishi UFJ Trust and Banking Corporation (“MUTB”), a wholly owned subsidiary of Mitsubishi UFJ Financial Group, Inc. (“MUFG”), a Japanese banking institution listed on the Tokyo Stock Exchange.

Under the terms of the business alliance, MUTB has agreed to promote certain of our products in the Japanese institutional marketplace. The agreement gives MUTB exclusive rights to distribute selected products to Japanese institutional investors. The products include emerging market equities, global equities and global fixed income.

Under the terms of the capital alliance, MUTB initially acquired approximately 9.9% of Aberdeen PLC’s issued share capital from certain existing shareholders but may, if it wishes, purchase further shares of Aberdeen PLC’s issued share capital. In addition, they were entitled to appoint a non-executive director to

the Board of Aberdeen PLC if their holding reached 15% or more of Aberdeen PLC's issued share capital. On November 26, 2009, Mr. Kenichi Miyanaga was appointed as a non-executive director of Aberdeen PLC. MUTB currently holds between 15 and 20% of the outstanding shares of Aberdeen PLC on a fully diluted basis.

Aberdeen Asset Management PLC ("Aberdeen" or the "Group"), the parent company of AAM Aus, announced on 1 April 2014 that it has completed the acquisition of Scottish Widows Investment Partnership Group Limited ("SWIP") and SWIP's related private equity fund management business from Lloyds Banking Group plc ("Lloyds").

In addition, Aberdeen has entered into a long-term strategic relationship with Lloyds. This strategic relationship will operate across Lloyds' Wealth, Insurance, Commercial Banking and Retail businesses and is expected to result in a stronger asset management offering for customers.

The consideration for SWIP and the related private equity business will be satisfied by the issue of 125,848,000 new ordinary shares to Lloyds, of which 108,537,009 shares have been issued on 1 April 2014 and the remaining 17,310,991 shares will be issued on the earlier of (i) the first anniversary of completion and (ii) receipt by Lloyds of certain regulatory approvals and consents. On completion of the acquisition of SWIP's infrastructure fund management business, a further 5,952,000 new ordinary shares will be issued to Lloyds and, subject to regulatory approval, the total number of shares issued as consideration will represent approximately 10.677% of the enlarged Aberdeen Group's issued ordinary share capital.



## **Item 11 – Code of Ethics Participation or Interest in Client Transactions and Personal Trading**

### Code of Ethics and Personal Trading

From time to time, AAM Aus or our directors, officers, employees or affiliates may, directly or indirectly, have interests in securities owned by or recommended to our clients. These situations may represent a potential conflict of interest, so we have adopted a Code of Ethics (the “Code”), in accordance with Rule 204A-1 of the Adviser’s Act, to govern personal transactions by our directors, officers, and employees (“Access Persons”) in order to ensure that their interests do not conflict with the interests of our clients.

The Code mitigates potential conflicts of interest by requiring, among other things, pre-clearance of transactions in Reportable Securities placed in reportable accounts (as defined in the Code). The Code restricts the purchase and sale by Access Persons for their own accounts of Reportable Securities, which have been purchased or sold for funds within specified time limits. Except under certain limited circumstances, Access Persons may not engage in a personal transaction in a Reportable Security for which an order for a fund is pending or within seven (7) calendar days before or after execution of a client order. Provided that there are no open orders for Clients in these securities, this blackout period does not apply to the treasury securities issued by G8 countries (Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States), shares of stock of a company listed on the S&P 500 Index or the FTSE 100 Index and shares of an exchange traded fund based on an exchange-traded fund (ETF) that tracks the S&P 500 Index or the FTSE 100 Index.

Access Persons are subject to reporting obligations, including completing quarterly transaction and annual holdings reports. Access Persons are required to direct their brokers to send copies of all brokerage confirmations and statements to the Compliance Department. Alternatively, Access Persons can have the information sent by the broker via electronic feed, if available. Our procedures recognize that some Access Persons either reside in countries or maintain brokers where such statements are not regularly issued or available, and therefore these individuals are exempt from providing quarterly statements within a specific time period. In such circumstances, brokerage statements or their equivalent holdings reports must be provided as available. Employees must fully acknowledge the terms of the Adviser’s compliance manual, which include the Code, on an annual basis. Any employee who violates the Code may be subject to verbal or written warnings and censures, monetary sanctions, disengagement, suspensions or dismissal.

Additionally, the Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a rumors policy, dollar restrictions on the acceptance of gifts and hospitality, and requires that certain outside business activities are approved in advance.

Clients or prospective clients may request a free copy of the Code by contacting AAM Aus at +61 2 9950 2888.

### Our Approach to Potential Conflicts of Interest

Various parts of our brochure discuss potential conflicts of interest that arise from our asset management business model. We disclose these conflicts due to the fiduciary relationship we have with our clients. Where potential conflicts of interest arise from our fiduciary activities, we take steps to mitigate, or at least disclose, them. Conflicts arising from fiduciary activities that we cannot avoid are mitigated through written policies and procedures. Potential conflicts may arise from new products or services, operational changes, new reporting lines and market developments.

### Gifts and Hospitality

We have policies and procedures in place, including the Code, which prohibit employees from accepting gifts, hospitality and other things of material value that may create a conflict of interest or give the appearance of a conflict of interest. Additionally, our employees may not offer gifts, hospitality or other things of material value that could be viewed as attempting to unduly influence the decision-making of any client or other business partner. In general, our policies dictate that giving and receiving gifts or participating in hospitality cannot occur if the value and/or the frequency of the gift or hospitality is deemed excessive or extravagant. The policies impose specific dollar restrictions and require compliance approval of gifts and hospitality.

### Participation or Interest in Client Transactions

Potential conflicts of interest may exist if an investment adviser or one of its related persons buys or sells for client accounts, securities in which the adviser or a related person has a material financial interest. We may recommend to clients that they buy or sell shares of an investment company or other investment product in which we have some financial interest by serving as adviser or sub-adviser to a fund or other product. Some of the investment companies, including private funds, are subject to a performance-based incentive fee. Employees providing advice to these funds may also hold interests in such performance-based funds and may also provide investment advisory services with respect to similarly managed accounts that are not subject to performance fees.

We may manage private funds and sub-advised investment companies similarly in that we may buy or sell the same securities for both the private funds and sub-advised funds. These transactions must be consistent with our trade allocation procedures so that no fund is favored over any other fund. In addition, and only in accordance with our policies and procedures, employees are permitted to invest in securities (including those recommended to clients) for their own accounts.

AAM Aus officers or directors may sit on the boards, and board committees, of publicly traded clients. In addition, employees may buy or sell securities for a client where we may have a material interest in a security or issuer of a security. A material interest could include owning a security, office, directorship, significant contract, interest or relationship which is likely to affect the person's judgment. In these cases, AAM Aus or our employees could benefit from the success of a client's investments because of our interest in the security or issuer of the security. We maintain procedures to mitigate these potential conflicts.

### Adviser for Multiple Accounts

We serve as investment adviser or sub-adviser to client accounts, including registered investment companies. Consistent with our fiduciary obligations, we may give advice with respect to funds or accounts we manage that may differ from action taken by our firm on behalf of other funds or accounts. We are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that any of AAM Aus, our affiliates or our Access Persons, may buy or sell for its own accounts or for the accounts of any other client. Any company associated with AAM Aus who wishes to purchase or sell securities of the types purchased for clients may do so only in a manner consistent with our fiduciary obligations. We are not obligated to refrain from investing in securities held by funds or accounts it manages, except if the investments violate the Code.

### Insider Trading Policy

We have adopted an insider trading policy in accordance with Section 204A of the Advisers Act which establishes procedures to prevent the misuse of material non-public information by AAM Aus, our officers, directors and employees. Any officer, director or employee who fails to observe the insider trading policy risks serious sanctions, including dismissal and personal liability.

We may perform a variety of services for, or solicit business from, companies, including issuers of securities that we may recommend for purchase or sale by, or execute transactions for client accounts. In connection with providing these services, we may come into possession of material non-public information which if disclosed might affect an investor's decision to buy, sell or hold a security. We are prohibited from improperly disclosing or using such information for our personal benefit or for the benefit of any other person, regardless if the person is our client.

### Charitable Contributions

From time to time, clients or certain financial intermediaries may approach AAM Aus to request that we make contributions to certain charitable organizations. Because our contribution may result in the financial intermediary or our employees or representatives recommending us or our affiliated investment advisers' products to their underlying clients, the solicitation or contribution raises potential conflicts of interest. As a result, we maintain procedures that we review the dollar amount and frequency for these types of charitable contributions.

### Political Contributions

None of the Adviser's funds or assets may be contributed to any U.S. political candidate or political party. This ban includes contributions to U.S. political action committees ("PACs").

Financial contributions and non-financial contributions, such as participating in any type of fundraising and / or volunteering activities associated with a political campaign e.g. time, venue, (together "Contributions") made to certain U.S. political campaigns may raise potential conflicts of interest because of the ability of certain office holders to direct business to AAM Aus.

Employees are therefore prohibited from making Contributions to any person running for or holding a U.S. city, county, state or other municipality related position. This prohibition includes Contributions to U.S. city, county, state or other municipality related PACs. Employees are permitted to make contributions to persons holding or campaigning for a federal position as long as such person does not also hold a city, county or state position. Additionally Contributions to Federal PACs are permissible. In both cases, approval from AAM Aus's Compliance Department must be received before making a Contribution. Employees are prohibited from doing indirectly what they cannot do directly and as such cannot funnel payments through third parties, including, for example, consultants, attorneys and/or family members as a means to circumvent the Political Contributions policy. Employees are prohibited from soliciting contributions for any person running for or holding a U.S. city, county, state or other municipality related position.

Employees are permitted to solicit U.S. political contributions for federal elections as long as such person does not also hold a city, county or state position, however Employees may not allow present or anticipated business relationships of the Adviser to be a factor and must seek approval from the Adviser's Compliance Department before soliciting such Contributions.

Any federal political Contributions made or solicited by Employees should be viewed as personal. Therefore, Employees should never represent themselves as employees of Aberdeen when participating in these activities (e.g. use AAM Aus's letterhead for correspondence regarding these contributions).

#### Directorships and Outside Business Activities

Access Persons are permitted to serve on the boards of directors of non-profit organizations such as educational institutions, charitable foundations or other civic organizations. Access Persons are not permitted serve on the board of directors of any publicly traded company without prior authorization. Authorization is generally based upon a determination that the board service would be consistent with the interests of the firm and the clients under their management.

In general, all Access Person's Outside Business Activities are tracked and reviewed by the Adviser's Compliance Department to ensure they do not conflict with the duty we owe clients.

#### Material Non-Public Information

Our investment personnel, in the course of research or other related activities, may from time to time acquire confidential or material, non-public information that may prevent AAM Aus from purchasing or selling particular securities for certain clients. As a result, certain clients could realize a positive or negative impact to overall performance. We maintain policies and procedures for handling material, non-public information.

#### Initial Account Funding

We may purchase and sell securities for accounts funded with our own assets, which also is known as "seed capital." These accounts are intended to establish a performance history for a new or potential product or service. We may earn a profit on our seed capital investments.

## **Item 12 – Brokerage Practices**

### Broker-Dealer Selection and Best Execution

We have established policies and procedures designed to assess and monitor the broker-dealers selected to execute client transactions. We do not adhere to a rigid formula in making the selection of a broker-dealer for portfolio transactions, but rather weigh a combination of certain factors. When selecting a broker-dealer for client transactions, we look at price, transaction costs, reasonableness of commissions, speed, efficiency, knowledge of particular securities, likelihood of execution and settlement, size and type of transaction, settlement capabilities, reputation, nature and any other consideration relevant to the best execution of that order. In selecting broker-dealers and in effecting portfolio transactions we seek to obtain best execution. Steps associated with seeking best execution are: (1) determining each client's trading requirements; (2) selecting appropriate trading methods, venues, and agents to execute the trades under the circumstances; (3) evaluating market liquidity of each security and taking appropriate steps to avoid excessive market impact; (4) maintaining client confidentiality and proprietary information inherent in the decision to trade; and (5) reviewing the results on a periodic basis. We review the above criteria on a periodic basis. We do not consider the sales of shares of investment companies it advises as a factor in the selection of broker-dealers to execute portfolio transactions for a fund.

When buying or selling fixed income securities in dealer markets, we occasionally prefer to deal directly with market makers in the securities. We will typically affect these trades on a net basis, and will not pay the market maker any commission, commission equivalent or markup/markdown other than the "spread." A "spread" is the difference between the price paid (or received) by our firm and the price received (or paid) by the market maker in trades with other broker-dealers or other customers. Brokers through whom we execute trades may receive compensation from exchanges, market makers and other intermediaries related to orders routed by the broker to those intermediaries.

For Fund of Fund products, investments in open-ended investment funds are facilitated through the appropriate transfer agent.

We may, at a client's direction, also direct a broker to execute a trade and "step out" a portion of the trade and/or commission to another broker that provides brokerage or research related services to AAM Aus. The use of step out transactions may result in information about our trading activity being disclosed to other trading firms and investors who may seek to take advantage of this information. Where a client has directed the use of a particular broker-dealer, we may not be in a position to freely negotiate commission rates or spreads, to obtain volume discounts, or to select broker-dealers on the basis of best execution.

If a client requires pre-authorization of trades, such trades may not be commingled or "batched" for purposes of execution with orders for the same securities for other accounts we manage. As a result, such trades may be executed subsequent to the trades executed for other accounts we manage and at different prices and commission rates which may be better or worse than the rates received for batched trades.

We may use Electronic Communications Networks ("ECN") or Alternative Trading Systems ("ATS") to execute when, in our judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions.

### Commission Rates

We seek to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of our clients. However, we will not select broker-dealers solely on the basis of "posted" commission rates. We will not always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although we generally seek competitive commission rates, we will not necessarily pay the lowest commission. Transactions may involve specialized services on the part of the broker-dealer involved, resulting in higher commissions.

The reasonableness of commissions is based on the broker-dealer's ability to provide professional services, best execution and research, which will help us in providing investment management services to clients. As long as best execution is achieved, we may use a broker-dealer who provides useful research even though a lower commission may be charged by a broker-dealer who offers no research services.

Fixed income trades are placed by our firm based on best price and execution as determined by our review of solicited bids/offers. We may contact several companies in soliciting any bid/offer. Potential avenues of execution are placed in competition with one another to the extent reasonably possible whenever the portfolio managers look to buy or sell a bond. One of our measures of achieving best execution is executing a transaction with a qualified and capable counterparty that bids or offers the most favorable price under the circumstances.

#### Research and Soft Dollar Benefits

We may obtain research products and execution services from broker-dealers that may be used to execute client transactions as well as through commission sharing arrangements. As Aberdeen places high focus on internal research, external research obtained through soft dollars or otherwise constitutes a relatively small percentage of the overall analysis conducted.

When appropriate, under discretionary authority and consistent with our duty to obtain best execution, we may execute transactions for client accounts with broker-dealers who provide us with research and brokerage products. The brokerage commissions used to acquire research in these arrangements are known as “soft dollars,” which can also include “commission sharing arrangements.” SEC regulations provide a “safe harbor” which allows an investment adviser to pay for research and brokerage services with the commission dollars generated by client account transactions. Consistent with this, and obtaining best execution, brokerage commissions on client portfolio transactions may be allocated to broker-dealers in recognition of research services furnished by them, as well as for services rendered in the execution of orders by such broker-dealers. If we utilize soft dollars to acquire research, it may be used to service the accounts of our subsidiaries in cases where the subsidiaries have agreed to share research. We have the incentive to execute transactions with, and pay commissions to, broker-dealers who provide us with brokerage and research. When client commissions are used, we receive an inherent benefit because we do not have to produce or pay for research on our own. We will determine in good faith that the value of services received is reasonable in relation to the commissions paid.

Broker-dealers typically provide a bundle of services including research and execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts) or third-party (created by a third-party but provided by broker-dealer). We may use soft dollars to acquire either type of research.

The receipt of research in exchange for soft dollars benefits our firm by allowing us, at no cost, to supplement our own research and analysis activities, to receive the views and information of individuals and research staffs of other securities firms. Research and brokerage services acquired with soft dollars may include reports on the economy, industries, sectors and individual companies or issuers.

The determination and evaluation of the reasonableness of brokerage commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. We may select broker-dealers based on our assessment of their ability to provide quality executions and our belief that the research, provided by such broker-dealers may benefit client accounts. Accordingly, broker-dealers selected by us may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions. This is done if we have determined, in good faith, that such amounts are reasonable in relation to the value of the brokerage and/or research provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our discretionary accounts.

Consistent with obtaining best execution, brokerage commissions on account portfolio transactions may be directed to broker-dealers in recognition of research provided by them, as well as for services rendered in the execution of orders by such broker-dealers. Research obtained with soft dollars may not be utilized for the specific account that generated the soft dollars and every research service may not be used to service every account we manage. In determining whether a service or product qualifies as research or brokerage, we

evaluate whether the service or product provides us lawful and appropriate assistance in carrying out our investment decision-making responsibilities. We do not usually attempt to allocate the relative costs or benefits of research among client accounts because we believe that, in the aggregate, the research received benefits clients and assists us in fulfilling our overall duty to clients.

We generally do not enter into any agreement or understanding with any broker-dealer who would obligate us to direct a specific amount of brokerage transactions or commissions in return for research. However, certain brokers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent, especially those that provide specified statistical and performance measurement services. To the extent that we choose to obtain a particular product, we may use our available soft dollar credits and pay cash to make up any difference. Further, if the product or service is a “mixed use” item (products or services that provide both research and non-research benefits), we may use soft dollars for the research portion and pay cash for the non-research portion. Some funds or clients that we manage may have their own soft dollar policies which may differ, in some respects, from our procedures. We will use good faith judgment in making mixed-use allocation decisions.

While our policy is to seek best execution, we may select a broker for a portion of our trades which charges higher transaction costs if we determine in good faith that the cost is reasonable in relation to the value of the brokerage and research provided. Despite these potential conflicts, we believe that we are able to negotiate costs on client transactions that are competitive and consistent with our policy to seek best execution. In addition, we do not enter into agreements or understandings with any brokers regarding the placement of securities transactions because of the research they provide. However, we do have an internal procedure for allocating transactions in a manner consistent with our execution policy to brokers that we have identified as providing superior executions and research of particular benefit to clients.

We may be required to comply with the CFA Soft Dollar Standards in relation to certain client accounts. In such instances, the Global Head of Investment Execution will ensure that such standards are adhered to in accordance with such requirements. This will be monitored periodically by the Compliance Department under the supervision of the firm’s CCO.

#### Directed Brokerage

We occasionally receive requests from clients to direct a portion or all of the commissions earned on their account through a specific broker-dealer in order to generate a benefit for the client under such terms and arrangements as the client may negotiate with the particular broker or dealer. Where a client has directed the use of a particular broker-dealer, we may not be in a position to freely negotiate commission rates or spreads, to obtain volume discounts, or to select broker-dealers on the basis of best execution. In situations where the client has directed us to direct trades to a select broker, the client must forfeit best execution and should understand that we will enter into such arrangements on a “best efforts” basis. If a client directs us to use a particular broker-dealer for a transaction, it will not be commingled or “batched” for purposes of execution with orders for the same securities for other accounts we manage. Client-directed transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if we were empowered to freely negotiate commission rates or spreads, or to select broker-dealers on the basis of best execution. It is Aberdeen’s policy to only accept these requests under certain circumstances.

#### Trade Errors and Corrections

In the event that we cause a trade error, our policy states that we ensure that the error is resolved in the best interests of the client. This means that trades are adjusted as needed in order to put the client account in such a position as if the error had never occurred. We review all trade errors to ensure they are resolved timely and accurately and that they do not indicate a recurrent pattern. In correcting trade errors, we or the party responsible for the error will bear the cost of correcting the error. Trade errors resulting in losses to client accounts will be reversed and the account compensated accordingly. Any gains resulting from trade errors discovered after settlement will generally be credited to the client account.

#### Cross-Trades

We may cross trade between and among certain client accounts in accordance with our written cross-trading procedures. We will only consider engaging in cross transactions to the extent permitted by applicable law

and will, to the extent required by law, obtain the necessary client consents. Clients may revoke their consent for agency cross transactions at any time.

#### Foreign Exchange (“FX”) Transactions

We may execute currency transactions on an active basis through our currency trading desk, except where market restrictions in some emerging currencies exist and execution for trade settlement is arranged by the custodian directly. In addition, certain of our asset-management clients may direct their currency trades to their custodian banks for execution via standing instructions, and in such cases as well as in the case of restricted emerging currencies, we may not know the precise execution time of the FX trade and cannot influence the exchange rates applied to these trades.

#### Order Aggregation

We may, to the extent appropriate, permissible and/or feasible, aggregate multiple client orders for the purchase or sale of the same security to achieve best execution. In the instance that the same security is bought or sold for a number of clients at approximately the same time, orders may also be aggregated. Due to the possibility of a price variation among executed transactions throughout the trading period, an “averaging” procedure is utilized, when possible. This procedure allocates securities to those clients participating in the order on a pro-rata basis (subject to rounding) at the average execution price of the purchases and sales attributable to a given block, unless otherwise directed by the client or deemed inappropriate for best execution. If pro-rata allocations are deemed inappropriate, we may implement either rotation or random allocations, provided the result is fair access over time to trading opportunities for all eligible accounts.

In the instance that an order is not completed on the same trading day, the partial fill will be allocated pro-rata among participating clients, unless otherwise directed or deemed inappropriate for best execution. Any unexecuted orders will continue until either the block order is complete or all component orders have been cancelled. If remaining positions are too small to satisfy the minimum order amount, we may decide to allocate the remaining shares to those accounts which did meet the minimum. We may also decide to allocate remaining shares to those accounts whose orders would be completed as a result of the allocation.

We seek to allocate opportunities to all clients in a consistent, fair manner. In accordance with our written policies and procedures, we may take special considerations when deciding on allocations, provided they are deemed fair and equitable to all clients. These special considerations may include—but are not limited to—cash flow changes; specialized investment objectives or restrictions of a particular client; specific bond trades; directed brokerage; limit orders; market restrictions; open bulk orders (market-to-market); new portfolio fundings; fungibility of certain security types; or new issuance allocations (debt or equity).

## **Item 13 – Review of Accounts**

### Account Review Process

We strive to ensure compliance with a client's investment guidelines consistent with our fiduciary responsibility to manage an account in the best interest of our clients and aim to complete reviews on an ongoing and continuous basis. An account may be reviewed immediately to the extent that information concerning economic or market conditions, individual companies or industries could affect the account. Reviews of accounts also occur when investment strategies and objectives are changed by a client. Our relationship managers work closely with the fund management teams to make sure each client's guidelines are implemented, where applicable. We use electronic account monitoring systems, fed by major data suppliers, as much as possible as we believe the results are likely to be more accurate than a manual review. Periodic reviews are also undertaken by the compliance department. Compliance discusses any potential issues with the relevant portfolio managers. We have policies and procedures in place to address any breaches and our US Investment Oversight Committee receives monthly reports on all trading errors.

### Reports to Clients

We provide each client with written monthly or quarterly market and investment reports which includes cash balance, transaction records, position reports and account valuation. Additional reports may be provided upon a client's request.



#### **Item 14 – Client Referrals and Other Compensation**

Our advisory services are marketed both directly by the firm and through referrals by clients and consultants. We may make cash payments to third-party solicitors for client referrals. Each solicitor must enter into a written agreement with our firm and provide each prospective client with a copy of our Form ADV Part 2 and a disclosure of the terms of the solicitation arrangement that includes the nature of the relationship. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act.

In no event will we compensate a third-party solicitor for a referral if that solicitor serves as a sponsor, decision-maker or fiduciary of any pension or profit-sharing plan. We may engage and compensate entities to provide prime brokerage and other services (including client account statement preparation) to client accounts.

Our firm, or our affiliates, may be compensated in connection with the sale of shares of either our mutual funds or other funds that either entity services. In addition, our sales and client service employee's compensation may be linked to sales goals relating to the sale of our mutual funds.

In addition, other third parties may provide certain shareholder servicing and/or distribution support services in connection with the sale of shares of our mutual funds or other funds that we service. These third parties may do so either directly or through intermediaries (i.e., broker-dealers) and may, in some instances, refer clients into such funds. These third parties (and the intermediaries through which the funds are available) may receive cash compensation for these services out of our own resources.

## **Item 15 – Custody**

We do not act as a custodian for client assets.

Clients typically receive statements from their account custodians at least quarterly and are encouraged to compare statements received from us with statements received from their client account custodians. Clients should carefully review their custodian statements to ensure they reflect the appropriate activity in their account. If there are differences between a client's custodian statement and an AAM Aus account statement, or if a client has not received their account custodian statement, clients are asked to contact their client service representative.

## **Item 16 – Investment Discretion**

Depending upon the terms of an agreement entered into with each client, we may have discretionary authority to make the following determinations without client consultation or consent prior to effecting each transaction:

- the securities that are to be bought or sold
- the total amount of the securities to be bought or sold
- the broker-dealer through whom securities are to be bought or sold
- the commission rates at which securities transactions for client accounts are effected

We exercise discretion in a manner consistent with the stated investment objectives for a particular client account. We may accept advisory accounts with limited discretion or where investments are client-directed pursuant to an investment management agreement. We may also be limited in the type or quantity of securities purchased or held due to certain regulatory or internal compliance restrictions. Client investment guidelines and restrictions must be provided to us in writing. Please refer to Item 4 – Advisory Business for additional information on clients' ability to tailor investment guidelines.

## Item 17 – Voting Client Securities

Clients have the option to vote their proxies themselves or to authorize AAM Aus to vote proxies on their behalf. We have established policies for voting these proxies in the best interests of our clients. When voting on proxies, we generally rely on our own in-house research and analysis. In the instance of a conflict, we may cross-reference our voting decision against a third-party service provider recommendation. For funds managed by a sub-adviser, we may delegate to the sub-adviser the authority to vote proxies, however the sub-adviser will be required to either follow our policies and procedures or to demonstrate that their policies and procedures are consistent with ours, or otherwise implemented in the best interest of clients. For other portfolios, responsibility for deciding how shares will be voted resides with the relevant portfolio management team. Any portfolio manager with knowledge of a personal conflict of interest (e.g., a family member in a company's management) shall disclose that conflict and may be required to recuse him or herself from the proxy voting process. In the event there is a material conflict of interest identified by the Analyst, decisions on how to vote will be escalated to the regional desk head. The regional desk head is responsible for fully documenting the conflict of interest as well as their rationale for a vote.

There may be certain circumstances where AAM Aus may take a limited role in voting proxies. We will not vote proxies for client accounts in which the client contract specifies that AAM Aus will not vote. We may abstain from voting a client proxy if we determine that the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant. We may also abstain from voting proxies of portfolio companies held in passively managed funds. Proxies with respect to securities that have been sold before the date of the shareholders meeting and are no longer held by a client generally will not be voted. We may abstain from voting a client proxy for cost reasons. If voting securities are part of a securities lending program, we may be unable to vote while the securities are on loan. In addition, certain jurisdictions may impose share blocking restrictions at various times which may prevent AAM Aus from exercising our voting authority.

We recognize that there may be a potential conflict of interest if we vote on a security in which a portfolio manager owns the holding in a personal account. Similarly, there may be a potential conflict if we vote on securities of publicly traded clients or if we vote on a security that a director of Aberdeen PLC or our mutual funds have an interest. Another conflict may exist if we have a business relationship with (or are actively soliciting business from) either a company soliciting the proxy or a third-party that has a material interest in the outcome of a proxy vote. In order to avoid any perceived or actual conflict of interests, we have established procedures to ensure that our voting decisions are based on our clients' best interests and are not the product of a conflict.

Clients may obtain a free copy of AAM Aus's proxy voting policies and procedures and/or proxy voting records for their account by contacting us at +61 2 9950 2888.

Clients that have not granted AAM Aus voting authority over securities held in their accounts will receive their proxies in accordance with the arrangements they have made with their services providers.

## **Item 18 – Financial Information**

In this Item, registered investment advisers are required to provide you with certain financial information or disclosures about AAM Aus's financial condition. We have no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. In addition, we have not been the subject of a bankruptcy proceeding.