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**FIRM BROCHURE  
(PART 2A OF FORM ADV)**



**NEWSMITH ASSET MANAGEMENT LLP**

JUNE 30, 2014

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This brochure provides information about the qualifications and business practices of NewSmith Asset Management LLP. If you have any questions about the contents of this brochure, please contact us at +44 (0) 20 7518 3700, or by email at [ADV@newsmith.com](mailto:ADV@newsmith.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about NewSmith Asset Management LLP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for NewSmith Asset Management LLP is 133670.

## **ITEM 2**

### **SUMMARY OF MATERIAL CHANGES**

There were no material changes since the Registrant's last Annual Amendment on June 27, 2013.

NewSmith Asset Management LLP will ensure that you receive a summary of any material changes to this and subsequent brochures within 90 days of the close of our business' fiscal year. We may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

You may request the most recent version of this brochure by contacting us at [ADV@newsmith.com](mailto:ADV@newsmith.com).

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## **ITEM 4**

### **ADVISORY BUSINESS**

NewSmith Asset Management LLP (“NSAM”), formed as a limited liability partnership in England and Wales on 4 July 2003, is authorized and regulated by the Financial Conduct Authority of the United Kingdom and is registered as an “investment adviser” under the U.S. Investment Advisers Act of 1940, as amended. As of the date of this brochure, NewSmith LLP, formed as a limited liability partnership in England and Wales on 22 November 2011, owns a 98.7% interest in NSAM.

NSAM serves as the investment management company for (1) several investment partnerships (collectively the “U.S. Funds”), (2) several non-U.S. investment funds (the “Offshore Funds”), (3) NewSmith Investment Funds Plc, an investment company with variable capital organized under the laws of Ireland in the form of an umbrella fund with segregated liability between Funds (UCITS structure), and (4) additional investment advisory accounts for institutional clients. As of 31 March 2014, NSAM had approximately \$2.3 billion in assets under management to which it provides discretionary advice to Clients regarding equity securities, futures, swaps, and other investments and instruments.

The interests in the U.S. Funds are offered on a private placement basis to “accredited investors” as defined under the Securities Act of 1933 and if applicable, “qualified purchasers” as defined under the Investment Company Act of 1940. These conditions and certain others are fully set forth in the subscription documents for the U.S. Funds.

Shares in the Offshore Funds are offered on a private placement basis to “non-U.S. Persons” as defined under Regulation S of the Securities Act of 1933 and tax-exempt entities. These conditions and certain others are fully set forth in the subscription documents for the Offshore Funds.

Subscription terms for shares in the UCITS sub-funds are specified in the relevant supplement (within the Prospectus for NewSmith Investment Funds plc) for that Fund. The umbrella fund has been granted by the FCA the status of a “recognized scheme” for the purposes of section 264 FSMA and subscription for shares is directed exclusively at persons who are experienced or existing investors in collective investment schemes, who are professional clients as defined by the rules of the Financial Conduct Authority or are otherwise eligible under these rules. Shares may not be offered or sold, directly or indirectly, to or for the account of US Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933 of the US (as amended). Each applicant for Shares will be required to certify whether or not they are a US Person.

Lastly, NSAM provides investment advice to private investment funds. Investors in the private investment funds include pension and profit sharing plans, pooled investment vehicles and to a limited extent private investors that are sufficiently sophisticated and knowledgeable to satisfy the UK FCA criteria of a professional client or are accredited investors as defined under the Securities Act 1933 and if appropriate, “qualified purchasers” as defined in the Investment Company Act 1940.

NSAM may also in the future serve as investment manager to funds or accounts that may charge fees different from those described in ITEM 5.

Throughout this brochure, we disclose a number of conflicts of interest and provide summaries of a number of our policies and procedures designed to detect and address these conflicts and others. We encourage Fund investors, Clients and prospective clients to review our policies and procedures and inquire directly with us about our conflicts. Our compliance policies and procedures are available for review by Fund investors and Clients in our London and Japan offices. In addition, conflicts of interest

and specific risks are identified in the offering materials of Funds that we manage. Please request a copy of the relevant Fund's most current offering materials for a description of other conflicts and risks that might exist.

## **ITEM 5 FEES AND COMPENSATION**

### **U.S. Funds and Offshore Funds**

Generally, NewSmith Asset Management LLP receives an incentive allocation of 20% of the net capital appreciation (the "Incentive Allocation") allocated to each limited partner (depending on the class of interests held by such limited partner), subject to the provision for a loss recovery account (the "Loss Recovery Account") which is credited with any net capital depreciation allocated to such limited partner, at the end of each U.S. Fund's fiscal year. NSAM will not receive any Incentive Allocation with respect to a limited partner's capital account until such limited partner has recovered all net capital depreciation, if any, debited to its Loss Recovery Account (as adjusted for withdrawals of capital by the Limited Partner). NSAM receives a management fee of 1.5% - 2.0% annually of the capital account balance of each limited partner of the U.S. Funds (depending on the Hedge Fund and class of interests held by such limited partner) for providing administrative services. The management fee is payable monthly in arrears.

At the end of each Offshore Fund's fiscal year, NSAM receives incentive fees from the Offshore Funds of 20% of the net realized and unrealized appreciation in the net asset value ("NAV") of each series of shares of the Offshore Funds. An incentive fee will only be paid with respect to the net realized and unrealized appreciation in the NAV of a series of shares (before any accruals for incentive fees and after adjusting for any increase in the NAV of a series due to the issuance of new shares of such series during the applicable period) in excess of the "Prior High NAV" of such series of shares. The Prior High NAV of a series of shares is the NAV of that series immediately after the payment of a year-end incentive fee with respect to such series. The Prior High NAV of a series will be reduced pro rata for interim-year redemptions of shares of such series. NSAM receives a management fee from each of the Offshore Funds that is 1.5% - 2.0% of the net asset value of each class of shares of the Offshore Funds (depending on Hedge Fund and class of shares invested in), payable monthly in arrears.

NSAM may elect to receive all or a portion of the incentive fee from each Offshore Fund currently or on a deferred basis subject to a deferred compensation arrangement. Investment advisory contracts with the Offshore Funds may generally be terminated upon 90 days prior written notice. Incentive fees are assessed in accordance with the requirements of Rule 205-3 under the Investment Advisers Act of 1940.

If shares of the Offshore Funds or interests in the U.S. Funds (together, "Interests") are redeemed prior to a calendar year-end, an incentive fee/incentive allocation (as applicable) with respect to such redeemed Interests will be determined and paid at such time with respect to such Interests.

### **UCITS Sub-Funds**

As noted in ITEM 4, detailed subscription terms for shares in the UCITS sub-funds are specified in the relevant supplement (contained within the Prospectus for NewSmith Investment Funds plc) for that Fund. Generally, NSAM is permitted to receive (1) a preliminary charge, (2) an investment management fee and (3) a performance fee.

(1) The preliminary charge can be received on the sale of Shares to an investor. The current percentage rates of any preliminary charge are shown in the relevant supplement for each Fund. The maximum amount for such preliminary charge is 5% of the value of the relevant subscription.

(2) An investment management fee can be received out of the assets of each Fund at the applicable rate specified in the relevant supplement for each fund on the Net Asset Value of that Fund or each Class of Shares in that Fund. The fee will, unless otherwise specified in the relevant supplement, accrue and be calculated on each Dealing Day on the Net Asset Value of the relevant Fund or Class of Shares in the Fund (before deducting any accrued Performance Fees) concerned on the previous Dealing Day and shall be payable monthly in arrears.

NSAM may from time to time, and at its sole discretion, and out of its own resources decide to rebate to intermediaries and/or Shareholders part or all of the Investment Management Fee. The Investment Management Fee is exclusive of value added tax (if any), which will be added, where applicable.

(3) NSAM may also be entitled to a performance fee where specified in the relevant supplement for each Fund in respect of a Class of Shares of a Fund.

NSAM may from time to time, and at its sole discretion, and out of its own resources decide to rebate to intermediaries and/or Shareholders part or all of the Performance Fee. The Performance Fee is exclusive of value added tax (if any), which will be added, where applicable. The UCITS umbrella fund (NewSmith Investment Funds plc) will pay the reasonable out-of-pocket expenses of NSAM.

#### **Additional Investment Advisory Accounts**

NSAM's management of additional investment advisory accounts for institutional clients generally provides for the same terms as those described in this Item 5 (FEES AND COMPENSATION-U.S. Funds and Offshore Funds). However, fees for these "segregated mandates" are negotiable and such accounts may be charged fees different from those described in ITEM 5.

#### **Additional Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, custodial fees, expenses relating to short sales, clearing and settlement charges, initial and variation margin, interest expense, pricing services, consulting and other professional fees relating to particular investments (including consulting fees and expenses payable to our affiliates), travel expenses incurred in connection with due diligence and the expenses related to investments in illiquid securities, legal expenses, systems and technology expenses, audit and tax preparation expenses, corporate licensing, organizational expenses, and other related costs and expenses, all of which are incurred by the Client. In addition, Funds also bear expenses incurred in connection with the offering and sale of interests in the Fund and the fees and expenses of the Fund's administrator(s), if applicable, and certain other service providers. To the extent that we initially bear any of these expenses, Clients reimburse us.

Please refer to ITEM 12 for additional information regarding the factors we consider in selecting broker-dealers for Client transactions, and in determining the reasonableness of their compensation.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As outlined in ITEM 5, NSAM is typically remunerated on the basis of incentive fees, based upon the appreciation of assets under management. Such incentive fees could, in theory, create an inappropriate incentive to make investments which are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, where such incentive fees are calculated on a basis which includes unrealized appreciation, it may be greater than if such compensation were based solely on realized gains.

This conflict is inherent in acting for multiple clients with different investment mandates that overlap issuers. The most likely cause of contrary trading will be portfolio managers trading with different investment timeframes. This contrary trading (i.e. long selling, hedge shorting) is monitored through the compliance monitoring programme. Additionally, risk management formally reviews portfolio holdings on a monthly basis and discusses with the Chairman/Chief Executive Officer/Senior Partners and the relevant investment team any perceived conflicts of interest.

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## **ITEM 7**

### **TYPES OF CLIENTS**

As noted in Item 4 above, NSAM serves as the investment management company for (1) several investment partnerships (collectively the “U.S. Funds”), (2) several non-U.S. investment funds (the “Offshore Funds”), (3) NewSmith Investment Funds Plc, an investment company with variable capital organized under the laws of Ireland in the form of an umbrella fund with segregated liability between Funds (UCITS structure), and (4) additional investment advisory accounts for institutional clients (pension and profit sharing plans, pooled investment vehicles and to a limited extent private investors that are sufficiently sophisticated and knowledgeable to satisfy the UK FCA criteria of a professional client or are accredited investors as defined under the Securities Act 1933. The minimum investment amounts for Funds that NSAM manages range from US \$75,000 to US \$30,000,000 and segregated mandates generally have a minimum investment of GBP 100 Million. Any of these limits may be waived by NSAM in its discretion.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

We employ investment strategies in managing Client assets which primarily include long/short equity and long only equity.

#### *Investment Strategies and Related Risks:*

Long/Short Equity. This strategy involves, among other things, (1) a fundamental, bottom-up stock picking approach with a medium to long term investment horizon resulting in a concentrated portfolio, (2) fundamental research and stock selection with a core aim of investing in shares that are mis-priced in absolute or relative terms, (3) identifying macro and structural trends and events impacting equity valuations and (4) applying a strong technical understanding of industries and companies to identify under-priced stocks with long-term, sustainable competitive advantage or shares that are over-priced relative to competitors. This typically involves investing and trading in a portfolio of equity securities and other assets, including common stock; preferred stock; cash and cash equivalents; options; futures; swaps; other derivatives or any other equity-like securities. This strategy uses both long and short positions, and investments may be made on exchanges, in over-the-counter markets and in private transactions. In evaluating potential investments as part of this strategy, investment teams perform extensive quantitative and qualitative analyses. Our allocation of capital across asset classes within this strategy will vary depending on market opportunities and other factors.

Identification and exploitation of these opportunities involves uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer's securities and instruments were to fail to materialize as we expected, Clients may incur a loss. Risk management forms part of the investment process and is overseen independently by the Head of Risk. A variety of risk systems and proprietary models are used to manage risk including RiskMetrics, FactSet and Style Research.

Long only equity. Generally, the long only equity strategy seeks to achieve significant outperformance of a pre-determined benchmark/index over the long term by using a bottom-up approach and investing primarily in the equity securities of companies listed, quoted or traded on a regulated market. Exposure to companies may also be obtained by investment in, among other things, ADRs and GDRs, preference shares or warrants, convertible bonds and convertible preference shares, warrants, ETFs, and derivative instruments. In evaluating potential investments as part of this strategy, investment teams perform extensive quantitative and qualitative analyses. As noted above, allocation of capital across asset classes within this strategy will vary depending on market opportunities and other factors.

Identification and exploitation of these opportunities involves uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer's securities and instruments were to fail to materialize as we expected, Clients may incur a loss. Risk management forms part of the investment process and is overseen independently by the Head of Risk. A variety of risk systems and proprietary models are used to manage risk including RiskMetrics, FactSet and Style Research.

#### *Other Risks of Investing:*

In general, investing in securities involves risk of loss that Clients should be prepared to bear. The investment strategies described above may also involve the following risks:

### General Risks

- There is no assurance that any appreciation in the value of Investments will occur, or that the investment objectives of any Fund will be achieved. Past performance is no guide to the future. The value of Shares, and any income from them, can go down as well as up, particularly in the short term, meaning that an investment may not be returned in full.
- The tax treatment of the Funds may change and such changes cannot be foreseen.
- Where regular investments are made with the intention of achieving a specific capital sum in the future, this will normally be subject to maintaining a specified level of investment.
- The difference at any one time between subscription and redemption prices for Shares means that any investment should be viewed as medium to long term. An investment should only be made by those persons who are able to sustain a loss on their investment.

### Investment Risk

There can be no assurance that a Fund will achieve its investment objective. An investment in any Fund involves investment risks, including possible loss of the amount invested. Funds bear the risk of default on the part of the issuer of any securities. The investment results of the Funds are reliant upon the success of the Investment Manager.

### Short Selling

A “short” sale involves the sale of a security that the seller does not own in the hope of purchasing the same security (or a security exchangeable for such security) at a later date at a lower price. To make a delivery to the buyer, the seller must borrow the security and is obligated to return the security (or a security exchangeable for such security) to the lender, which is accomplished by a later purchase of that security. A Fund may establish both “long” and “short” positions in individual stocks and markets. As a result, as well as holding assets that may rise or fall with markets, a Fund may also hold positions that will rise as the market value falls, and fall as the market value rises. Taking synthetic short positions involves trading on margin and accordingly can involve greater risk than investments based on a long position.

Due to regulatory or legislative action taken by regulators around the world as a result of recent volatility in the global financial markets, taking short positions on certain securities has been restricted. The levels of restriction vary across different jurisdictions and are subject to change in the short to medium term. These restrictions have made it difficult and in some cases impossible for numerous market participants either to continue to implement their investment strategies or to control the risk of their open positions. Accordingly, the Investment Manager may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of the Investment Manager to fulfil the investment objective of a Fund may be constrained.

### Currency Exposure

Shares may be denominated in various currencies and will be issued and redeemed in those currencies.

Certain of the assets held by the Custodian on behalf of the Funds may be invested in securities and other investments which are denominated in currencies other than the Base Currency of the relevant Fund. The assets and investments of a Fund will be valued in its Base Currency. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Investment Manager may seek, but is not obliged, to hedge the currency exposure of a Fund to currencies other than its Base Currency but will necessarily be subject to foreign exchange risks. To the extent unhedged, the value of a Fund's net assets will fluctuate with the Base Currency exchange rate, as well as with price changes of the Fund's investments in the various local markets and currencies.

Prospective investors whose assets and liabilities are predominately in currencies other than the denominated currency of the Class in which it is invested or proposes to invest should take into account the potential risk of loss arising from fluctuations in value between the denominated currency of such Class, as the case may be, and such other currencies. Performance of a Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by a Fund may not correspond with the securities positions held.

#### Derivatives

The Funds may utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of their investment policies. These instruments can be highly volatile and expose investors to a high risk of loss.

Derivatives, in particular derivatives which are negotiated "over-the-counter" are subject to legal risks including the uncertainty in the applicability of laws, or the interpretation or enforceability of contracts or an action by a court or regulatory body that could invalidate a derivative contract entered into by the Fund.

The prices of financial derivative instruments may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements. The prices of exchange-traded financial derivative instruments may also be subject to changes in price due to supply and demand factors.

#### Options

The seller (writer) of an option has the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. The buyer of an option has the right (but not the obligation) to exercise the option, thereby making or taking delivery of the underlying asset of the contract at a future date, or in some cases settling the position with cash. Options carry a high degree of risk.

#### Dependence on Investment Manager

The investment performance of a specific Fund is dependent on the investment management expertise of the Investment Manager and its principals from time to time. If, for any reason, the Investment Manager were to lose the services of certain key individuals, the performance of a specific Fund in question could be adversely affected by such departures.

#### Subscriptions via Third Party Intermediaries

Shareholders who choose or are obliged under local regulations to pay or receive subscription or redemption monies or dividends via an intermediate entity rather than directly to or from the

Administrator (e.g. a Paying Agent in a local jurisdiction) bear a credit risk against that intermediate entity with respect to (a) subscription monies prior to the transmission of such monies to the Administrator for the account of the Company; and (b) redemption monies payable by such intermediate entity to the relevant Shareholder.

#### *Custodian Insolvency*

NSAM is subject to a number of risks relating to the insolvency, administration, liquidation or other formal protection from creditors ("Insolvency") of the Custodian. These risks include without limitation: the loss of all cash held with the Custodian which is not being treated as client money or protected by the rules of a regulatory authority ("client money"); the loss of all cash which the Custodian has failed to treat as client money in accordance with procedures (if any) agreed with NSAM; the loss of any securities held on trust ("trust assets") or client money held by or with the Custodian in connection with a reduction to pay for administrative costs of the Insolvency and/or the process of identifying and transferring the relevant trust assets and/or client money or for other reasons according to the particular circumstances of the Insolvency; losses of some or all assets due to the incorrect operation of the accounts by the Custodian; and losses caused by prolonged delays in receiving transfers of balances and regaining control over the relevant assets. NSAM is subject to similar risks in the event of Insolvency of any sub-custodian with which any relevant securities are held or of any third party bank with which client money is held. An Insolvency could cause severe disruption to the trading of a Fund.

#### *Custodian Liability*

In the event of loss suffered by a Fund as a result of the Custodian's actions or omissions, in order to bring a successful claim against the Custodian the Fund would generally, have to demonstrate that it has suffered a loss as a result of Custodian's unjustifiable failure to perform its obligations or its improper performance of them.

#### *Sub-Custodians and other depositories*

Where securities are held with a sub-custodian of the Custodian or by a securities depositary or clearing system, such securities may be held by such entities in client omnibus accounts and in the event of a default by any such entity, where there is an irreconcilable shortfall of such securities, a Fund may have to share that shortfall on a pro-rata basis. Securities may be deposited with clearing brokers which the Custodian is not obliged to appoint as its sub-custodians and in respect of the acts or defaults of which the Custodian shall have no liability. There may be circumstances where the Custodian is relieved from liability for the acts or defaults of its appointed sub-custodians provided that the Custodian has complied with its duties.

#### *Market Crisis and Governmental Intervention*

The global financial markets have undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated. Given the complexities of the global financial markets and the limited timeframe within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Manager's ability to fulfil a Fund's investment objective. However, the Investment Manager believes that there is a high likelihood of significantly increased regulation of the global financial markets, and that such increased regulation could be materially detrimental to the performance of a Fund's portfolio.

#### Taxation Risks

Any change in the Company's tax status or in legislation could affect the value of investments held by the Company and its ability to achieve its objectives. Potential investors and Shareholders should note that the statements on taxation in Fund offering materials are based on advice which has been received by the Directors regarding the law and practice in force in the relevant jurisdiction as at the date of these relevant offering materials. There can be no assurance that a tax position prevailing at the time an investment is made in the Shares will continue indefinitely.

**Any client could be subject to material risks that are not described above and additional risks regarding Funds are disclosed in the offering materials of each Fund. We encourage investors to carefully review the full description of risk factors presented in their Fund's offering materials.**

#### Methods of Analysis

In evaluating potential investments, investment teams perform extensive quantitative and qualitative analyses on each investment. When conducting such analysis, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment bankers may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party research. The due diligence that we carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, and such an evaluation will not necessarily result in the investment being successful. Moreover, the level of due diligence conducted with respect to a particular investment will vary and we may not properly assess the appropriate amount of diligence for each investment, which may result in losses to Clients.

Risk management is central to the operation of our business. We use both quantitative and qualitative analyses to monitor financial and event risk and manage volatility. We may seek to hedge credit, interest rate, currency and market exposures; however, there can be no assurances that appropriate hedges will be available or in place to successfully limit losses. We place substantial emphasis on portfolio diversification by asset class, industry sector and geography. The active management of positions in our funds allows for timely reallocation of capital in response to changes in business, market or economic conditions.

Risk management forms part of the investment process and is overseen independently by the Head of Risk, who reports directly to the CEO and Chairman of NSAM. The Head of Risk is responsible for risk management across all Funds. Internal risk guidelines and external risk limits are set and monitored for each individual fund. Daily risk reports are produced and distributed to all portfolio managers and senior management. Monthly risk meetings are held to discuss the portfolio's risk and performance; these meetings require the minimum attendance of the Chairman, CEO, Portfolio Managers and Head of Risk. The Head of Risk also presents to the Fund Boards at quarterly Board meetings.

In addition to our longer term investment strategies, we also seek to capitalize on short-term trading opportunities in certain circumstances, which do not involve the extensive risk analysis described above.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

Form ADV Part 2 requires investment advisers such as NSAM to disclose legal or disciplinary events involving the firm or our partners, officers, or principals that are material to your evaluation of our advisory business or the integrity of our management. We have no information to report that is applicable to this item.



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

NSAM is regulated by the Financial Conduct Authority of the United Kingdom and has filed exemptions with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator and a commodity trading advisor.

NSAM has an affiliated entity based in Japan, NewSmith Japan Limited (“NSJ”), which undertakes sub-advisory and marketing services within the NewSmith LLP Group. NSJ is registered with the Kanto Local Finance Bureau of the Ministry of Finance of Japan.

## ITEM 11

### CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

#### Code of Ethics & Personal Trading

Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act") requires all investment advisors registered with the Securities and Exchange Commission ("SEC") to adopt a code of ethics that detail standards of conduct and require compliance with federal securities laws. NewSmith Asset Management LLP is an investment advisor registered with the SEC. The Code of Ethics is intended to reflect the fiduciary principals that govern the conduct of NSAM and its supervised persons in those situations where NSAM acts as an investment advisor as defined under the Advisers Act in providing investment advice to clients ("advisory clients"). It consists of an outline of policies regarding several key areas: standards of conduct and compliance with laws, rules and regulation, protection of material non-public information and personal securities trading.

This Code applies to all "**Supervised Persons**" of NSAM who act as an investment advisor as defined by the Advisers Act in providing investment advice to advisory clients, unless otherwise noted below. The Advisers Act defines "Supervised Person" to mean any partner, officer, (or other person occupying a similar status or performing similar functions), or employee of an investment advisor, or other person who provides investment advice on behalf of the investment advisor and is subject to the supervision and control of the investment advisor.

#### Standard of Conduct and Compliance with Laws, Rules and Relations

All Supervised Persons are responsible for reviewing this Code and for acting in compliance with these policies in daily activities. All Supervised Persons also are reminded that each has agreed as a requirement of employment, or continued membership in the case of Partners, with NSAM to review and act in compliance with the policies which form part of this Code referenced in this document.

The foundation of NSAM's ethical standard is compliance with both the letter and spirit of the law. NSAM has a compliance manual designed specifically to meet applicable laws and regulations. All Supervised Persons of NSAM are required to be familiar and comply with the NSAM's Compliance Manual that incorporates the NSAM's Investment Advisor Compliance Program. Likewise each Supervised Person is responsible for being familiar with and complying with the applicable procedures. Details of each procedure and rule governing NSAM's business is not expected but Supervised Persons are expected to be familiar with and comply with the company-wide policies and procedures and when in doubt, to seek advice from supervisors, managers or other appropriate personnel.

#### Protection of Material Non Public Information

Supervised Persons are reminded that they must review the **Confidentiality of Information** section of the Compliance Manual and the Policies on the prevention of misuse of material non public information: "NSAM's Banned List Policy and Summary Guidance on Market Abuse" and "**NSAM's Privacy Policy**". These core policies and procedures are part of NSAM's Compliance Manual.

### Personal Securities Trading

All Supervised Persons must be familiar with and abide by the Personal Account Dealing Policy and procedures. In addition, Rule 204A-1 of the Advisers Act requires all "**Access Persons**" of an investment advisor registered with the SEC to report, and the investment advisor to review, their personal securities transactions and holdings periodically. The Advisers Act defines "Access Person" to mean any supervised persons of an investment advisor who (1) has access to non-public information regarding any advisory clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund or (2) is involved in making securities recommendations to advisory clients, or who has access to such recommendations that are non-public.

NSAM's Investment Advisor Chief Compliance Officer is required to compile and maintain a list of NSAM's Access Persons, and will promptly notify any NSAM Supervised Person who is or becomes an Access Person for these purposes.

### Participation or Interest In Client Transactions

Neither NSAM nor its partners or personnel purchase or sell securities for their own account to or from the Funds. However, from time to time, subject to applicable Fund investment guidelines and restrictions, NSAM may direct one Fund to sell securities to another Fund through an external broker cross transaction in which neither NSAM nor a related person will receive compensation. Any such transaction will be effected based on the then current independent market price set by the executing broker and consistent with valuation procedures established by NSAM. Such cross transactions will not be subject to standard brokerage rates but a nominal charge for processing the transaction will be applied by the broker.

NSAM and its personnel do not purchase or sell any securities for their own accounts to or from the Funds. However, subject to applicable restrictions under ERISA as well as Fund investment guidelines and restrictions, NSAM may affect rebalancing or external broker cross transactions between the Funds. In such cases, one Fund will purchase securities held by another Fund. NSAM may utilize a crossing facility between funds with identical investment strategies. NSAM effects these transactions pursuant to a formula that will result in the Funds holding substantially similar securities relative to each fund's respective net asset value. NSAM effects these transactions based on the then current independent market price set by the executing broker and consistent with valuation procedures established by NSAM. Neither NSAM nor any related party receives any compensation in connection with these rebalancing transactions. Such cross transactions will not be subject to standard brokerage commission rates but a nominal charge for processing the transaction will be applied by the broker. When effecting cross transactions between Funds, NSAM will have potentially conflicting division of loyalties and responsibilities with respect to each participating Fund.

NSAM may also advise Funds or accounts with conflicting programs, objectives or strategies. These activities may also adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more other Funds or accounts. Finally, NSAM and its personnel may have conflicts in allocating their times and services among the Funds. NSAM will devote as much time to each Fund as NSAM deems appropriate to perform its duties in accordance with its management agreements.

NSAM, its personnel and its affiliates may also have ongoing relationships with companies whose securities are in or are being considered for the Funds. From time to time, NSAM may acquire securities or other financial instruments of an issuer for one Fund which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, another Fund (e.g. one Fund

may acquire senior debt while another Fund may acquire subordinated debt). NSAM recognizes that conflicts may arise under such circumstances and will endeavor to treat all Funds fairly and equitably.

If it is determined by NSAM that it would be appropriate for a Fund and one or more other Funds or other investment accounts managed by NSAM or its affiliate to participate in an investment opportunity, NSAM will seek to execute orders for all of the participating investment accounts on an equitable basis, taking into account such factors as (i) each Fund's own investment guidelines; (ii) risk management guidelines; (iii) cash and liquidity needs of each Fund; (iii) regulatory differences among the Funds; (iv) tax status differences among the Funds and (v) need to avoid odd-lots. On occasion, NSAM will not be able to purchase or sell all of the securities ordered as part of an aggregated order in a single day. When portfolio decisions are made on an aggregated basis, the execution of those transactions will be allocated in accordance with Applicant's allocation procedures. A risk adjusted Net Asset Value ("NAV") will be utilized to confirm the precise allocations. These procedures are designed to ensure that when NSAM aggregates a customer order with another customer's order and subsequently allocates the executions, it does so consistently in accordance with rules covering (i) timely allocation, (ii) fair allocation, (iii) re-allocation, (iv) price of allocation, and (v) record keeping. NSAM will make a record of the intended basis of allocation prior to placing the order and this allocation will be based on the ratio of the relative sizes of the customers' portfolios unless noted to the contrary (and if noted, the reasons will be recorded). NSAM will ensure that the allocation is made as soon as practical after receiving details of the execution and that the price should be the amount paid or a volume-weighted average price of a series of executions.

Average pricing, however, is not permitted under applicable CFTC regulations and, therefore, it is possible that different accounts will have orders for the same commodity interest transactions filled at different prices.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### Order Execution and Order Passing

As a portfolio manager, NSAM makes and then gives effect to, decisions to deal in financial instruments on the Funds' behalf. There are two methods of giving effect to those decisions that are distinguished for the purposes of FCA rules. First, NSAM can place an order with a third party (e.g. a stockbroker or investment bank) for that third party to execute on your behalf. Such third parties are referred to in this summary as "Brokers". Secondly, NSAM can execute the relevant transaction on the Funds' behalf directly with a counterparty or on an exchange or other trading system (for example by dealing directly with a market maker on a "request for quote" basis). The counterparty, exchange or trading system with whom NSAM chooses to execute such a transaction is referred to in this summary as an "Execution Venue".

As a portfolio manager, NSAM is required:

- To act in accordance with your best interests when placing orders with brokers for execution that result from decisions by NSAM to deal in financial instruments on the Funds' behalf; and
- To take all reasonable steps to obtain the best possible result for the Fund, when directly executing orders with or on an execution venue on the Funds' behalf.

Both of these requirements result in an obligation for NSAM to take all reasonable steps to obtain the best possible result for the Fund(s) by reference to the "Execution Factors" (see below).

If the Fund gives NSAM a specific instruction (for example, to execute your order on or with a particular Execution Venue), NSAM will follow the instruction and any Best Execution obligation will be treated as satisfied in respect of that part of aspect of the order to which specific instruction relates.

#### Instrument Classes

NSAM differentiates between different types of instrument (each an "Instrument Class"). These Instrument Classes are: equities, FX, money market instruments, OTC derivatives, exchange-traded derivatives and funds.

For each type of Instrument Class, the process for deciding which Execution Factors NSAM should take into account when effecting transactions in the relevant instruments and a list of the Brokers and Execution Venues that NSAM uses to effect those transactions are set out below.

#### Execution Factors

The factors (the "Execution Factors") that NSAM will take into account when executing orders on the Funds' behalf will include price, costs, speed, likelihood of execution and settlement, size, nature and any other consideration relevant to the execution of an order in question (including market impact). The best possible result for a particular transaction will be determined by the relative importance given by NSAM to the Execution Factors, which will in turn determine the choice of Broker or Execution Venue. In determining the relative importance of the Execution Factors, NSAM will take into account the following criteria:

- The Clients' characteristics, including his/her categorisation as a professional client;
- The characteristics of the relevant order;
- The characteristics of the instruments or products that are the subject of the relevant orders; and
- The characteristics of the Broker through which and the Execution Venues on or with which your order can be executed.

Because of the nature of NSAM's business, the Policy, while giving guidance as to which Execution Factors are likely to be important for the relevant Instrument Class, affords the relevant NSAM portfolio manager or trader a degree of flexibility in deciding precisely which execution factors are to be taken into account.

### Brokers and Execution Venues

NSAM includes in the Policy the Brokers and Execution venues for each Instrument Class that it believes will enable it to obtain on a consistent basis the best possible result when it executes orders on behalf of its clients. One issue relevant to this selection is that, as a portfolio manager, NSAM is not, itself, a member of any regulated markets or any trading platforms having multilateral trading facility ("MTF") status under MiFID.

However, NSAM does use certain direct market access facilities (e.g. trading systems provided by its Brokers that allow it to transact (in the Brokers name) directly on a regulated market or MTF) to effect the execution of trades on behalf of its clients. Consequently, the list of Execution Venues in the Policy contains details of the market makers and other liquidity providers with whom NSAM directly executes transactions.

By using OTC sources of liquidity NSAM will be executing client orders outside a regulated market or MTF. The Client may choose not to allow NSAM to access OTC sources of liquidity, though this may restrict NSAM's ability to execute orders in certain types of instrument or product and / or to obtain the best possible result when executing those orders on the Clients' behalf.

### Choosing the Broker or Execution Venue

The choice as to whether NSAM, when implementing a decision to trade on your behalf, passes your orders to a Broker for execution or executes the order directly with an Execution Venue will be made having regard to the relative importance of the Execution Factors for the Instrument Class in question. For some Instrument Classes, there will be no choice (for example, where the financial instrument falls within the OTC Derivatives Instrument Class, the transaction will always be effected by way of direct execution).

NSAM chooses the particular Broker or Execution Venue for the transaction from the list of Brokers and Execution Venues for the relevant Instrument Class in the Policy.

For specific products NSAM may have access to only one type of Execution Venue or only a single Execution Venue or Broker.

For the "Funds" Instrument Class, because there is no secondary market in such instruments all subscriptions/ redemptions are effected at net asset value per share, the Broker/ Execution Venue will always be the operator or manager or administrator of the Fund (as appropriate) and the most important Execution Factor will always be certainty of execution.

## Review and Monitoring

NSAM monitors the effectiveness of its order execution arrangements (including the Policy) to identify and, where appropriate, correct any deficiencies. NSAM reviews on a regular basis whether the Execution Venues included in the Policy provide the best possible result and whether it needs to make any changes. NSAM undertakes a review of its order execution arrangements and the Policy at least annually, or whenever a material change occurs that affects its ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the Brokers and Execution Venues included in the Policy. NSAM will notify you of any material changes to its execution arrangements or the Policy.

## Soft Dollars

Research products or services provided to NSAM may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific financial instruments and other products and services providing lawful and appropriate assistance to NSAM in the performance of its investment decision-making responsibilities. NSAM limits its use of “soft dollars” to those generated through brokerage commissions or markups/markdowns from riskless principal transactions within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended and COB 11.6 of the UK Financial Conduct Authority Conduct of Business Rules. With mixed-use products, NSAM will use client brokerage to pay for only that portion of the product used by NSAM in the investment decision-making process and not in its administrative management.

Use of “soft dollars”, to the extent not used to pay for brokerage or research products or services in any month, may generate credit balances which will be used to pay for such products or services in the future. To the extent such credit balances are not so used, the broker will pay the outstanding balance to all the Funds (regardless of whether such balance was generated through commissions paid by such Fund).

Research and brokerage services furnished by such broker-dealers may be used in servicing all of NSAM’s accounts, and such services need not be used by NSAM exclusively for the benefit of the specific account(s) for which NSAM used such broker-dealer to effect transactions.

Broker-dealers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual transaction business received by any broker-dealer may be less than the suggestions, but can (and often does) exceed the suggestions, because total compensation is allocated on the basis of all the considerations described above. A broker-dealer is not excluded from receiving business because it has not been identified as providing research services.

In over-the-counter transactions, primary market-makers are generally employed except where better executions are believed to be obtainable elsewhere. From time to time, NSAM may execute over-the-counter trades on an agency basis rather than on a principal basis (a practice known as “interpositioning”). In these situations, the broker used by NSAM may acquire or dispose of a security through a market-maker. The transaction may thus be subject to both a commission and a mark-up or mark-down. NSAM believes that the use of a broker in such instances is consistent with its duty of obtaining best execution for its clients. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

The Chairman, CEO and Head of Risk meet when necessary to discuss high level issues associated with all portfolios. The meeting is informal, and gives an oversight of risks which impact individual portfolios and NewSmith as a whole. Significant issues raised at the meeting are highlighted for discussion with the relevant portfolio managers.

On a monthly basis the portfolio managers, Chairman, CEO and the Head of Risk meet to discuss core risk issues for each individual portfolio. The meeting is minuted and includes a discussion of portfolio attribution, investment activity, investment outlook and portfolio specific risk reports.

Limited partners of the U.S Feeder and shareholders of the Offshore Feeder receive semi-annual unaudited reports and annual audited financial statements. Institutional clients receive reports in accordance with their requirements as set out in the relevant Investment Management Agreement.



## **ITEM 14**

### **CLIENT REFERRALS AND OTHER COMPENSATION**

We may execute Client transactions with prime brokers that sponsor events, meetings or other communications between potential investors and us or our affiliates. These capital introduction services are provided in conjunction with other brokerage services. We and our affiliates are not compelled to engage broker-dealers that sponsor these capital introduction programmes in order to be included at these events. However, these capital introduction events are typically sponsored by prime brokers that provide necessary services to the Funds and they may create the appearance of using the execution services of these broker-dealers in order to be invited to their capital introduction programmes.

We do not pay to participate in these programs and do not cause Clients to execute transactions or pay higher commissions or other transaction costs in connection with these programs or services (although Clients will not necessarily pay the lowest possible commission when executing transactions through these broker-dealers—please see ITEM 12 above for additional information). However, we do pay to attend certain conferences, seminars and other events that are attended by prospective investors, but are not specifically designed as capital introduction events. Furthermore, broker-dealers or their affiliates may introduce us to prospective investors and will continue to have business relationships with, and execute brokerage transactions on behalf of, our Clients.

NSAM has appointed external marketing agents for a selection of its Funds. These agents will endeavor to introduce potential investors to the Fund(s) and, in return, NSAM will pay the agents a distribution fee based upon a pre-negotiated percentage of the total amount of the management fee and incentive fee paid to NSAM in relation to subscriptions of investors in the Fund(s).

In addition, as a result of the strategic partnership between NSAM and Sumitomo Trust & Banking Co., Ltd. (STB), NSAM often acts as a non-exclusive distributor of various STB funds. NSAM does not provide investment advice in relation to these funds but STB will remunerate NSAM for its distribution by way of such fees as may be agreed from time to time.

## **ITEM 15**

### **CUSTODY**

All separately managed account Clients should receive, at least quarterly, account statements from the broker-dealer, bank, or other custodian that maintains the Client's assets. Separately managed account Clients should compare this statement to the statements received from qualified custodians.

NSAM provides Fund investors with the Fund's annual audited financial statements prepared by an independent public accountant.

## **ITEM 16**

### **INVESTMENT DISCRETION**

We receive and exercise discretionary authority to manage investments on behalf of Clients. Separately managed account Clients may impose limitations on this discretion with respect to (1) the specific types of investments or asset classes that we will or will not purchase for their account; (2) the nature of the issuers of investments that we will or will not purchase for their account; or (3) the risk profile of instruments we will or will not purchase for their account, or the risk profile of the account as a whole. Separately managed accounts will be opened solely in our discretion and will generally be subject to minimum investment amounts.

We typically assume this authority through an Investment Management Agreement entered into by a Client, or through the constituent documents of a Fund.

## ITEM 17

### VOTING CLIENT SECURITIES

In general, the Firm uses ISS Proxy Exchange (“ISS”) to serve the corporate governance and proxy voting needs of its Clients. ISS, which is owned by MSCI, produces research and voting recommendations based on publicly disclosed benchmark policies and guidelines which reflect prevailing market best practices, codes and standards of corporate governance in the market in which they are applied. In the UK, ISS applies the NAPF Corporate Governance Policy and Voting Guidelines as its benchmark policy and collaborates with the NAPF in its own policy review process. However, the Firm retains the right to override ISS recommendations where it believes voting is in the best interest of the relevant Client which holds the voting right.

The exceptions to the above are the NewSmith European Fund, NewSmith UK Hedge Fund and a number of the sub-funds within the UCITS umbrella company, NewSmith Investment Funds plc. These funds employ alternative investment strategies where equities are often times not held in a registered shareholder capacity (e.g. CFDs) for any meaningful period in which stewardship of those shares could realistically be exercised. In cases where the funds maintain voting rights, the Firm will vote its proxies only where (1) the economic value of the portfolio is at stake or (2) the Firm reasonably believes voting would have a beneficial impact. In all other instances, the Portfolio Teams have deemed it in the best interests of clients to abstain from voting.

The Portfolio Team responsible for the management of a specific Client is responsible for making all final proxy voting decisions in accordance with these proxy voting policies and procedures (the “Policies”). The Compliance Officer is responsible for monitoring the effectiveness of the Policies. The Firm’s Proxy Voting Coordinator (“PVC”) is responsible for the actual voting of all proxies. For the purposes of this Policy, the PVC shall be the Portfolio Team responsible for making the final proxy voting decision or one or more other portfolio managers or other individuals to which voting responsibilities have been delegated.

#### Conflicts of Interest

At times, conflicts may arise between the interests of the Firm’s Clients, on the one hand, and the interests of the Firm or its affiliates, on the other hand. For example, the Firm (or an affiliate, including an executive of the Firm) may:

- manage a pension plan whose management is soliciting proxies;
- have a business relationship not with the company but with a proponent of a proxy proposal that may affect how it casts votes on clients' securities;
- manage money for an employee group of the issuer that has issued a proxy;
- have business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships; and/or
- have a spouse or other close relative who serves as a director or executive of a company.

Conflicts may also arise between the interests of one client and the interests of another client. For

example, Client A may be long in the equity of an issuer, and Client B may be short. The Firm may then have a conflict between the interests of A and B, when exercising any proxy voting rights it holds in that issuer.

If the Firm determines that it has, or may be perceived to have, a conflict of interest similar to the examples above when voting a proxy, the Firm will address matters involving such conflicts of interest as follows:

- the PVC will disclose the circumstances of any such conflict (along with any proxy materials) to the Compliance Officer and Chief Operating Officer.
- The Compliance Officer, the Chief Operating Officer and the PVC will then take such action as may be appropriate under the particular circumstances.
- In taking such an action, the Firm may vote such proxy as it determines to be in the best interest of the Client, without taking any action described below, provided that such vote would be against the Firm's own interest in the matter (i.e. against the perceived or actual conflict). The Firm will record the rationale of such vote in writing; and
- if the Firm believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then the Firm must take one of the following actions in voting such proxy:
  - (i) delegate the voting decision for such proxy proposal to an independent third party;
  - (ii) delegate the voting decision to an independent committee of partners, members, directors or other representatives of the Client, as applicable;
  - (iii) inform the Client of the conflict of interest and obtain consent to (majority consent in the case of a Fund) vote the proxy as recommended by the Firm; or
  - (iv) obtain approval of the decision from the Firm's Compliance Team in conjunction, where appropriate, with one or more members of the Firm's Senior Partnership.

Any such decision must also be taken in light of the Firm's conflicts of interest policy and, in particular, conflicts between two clients must be resolved in the manner set out in the conflicts policy (and as required by the FCA Rules).

**ITEM 18**  
**FINANCIAL INFORMATION**

Form ADV Part 2 requires investment advisers such as NSAM to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. We have no information to report that is applicable to this item.