

# **Heronbridge Investment Management LLP**

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## **Form ADV Part 2 Brochure**

**This brochure provides information about the qualifications and business practices of Heronbridge Investment Management LLP (“Heronbridge”). Questions about the contents of this brochure should be directed to Heronbridge’s Chief Compliance Officer, Gordon Westwood, on +44 (0)1225 328301 or via email on [gordon@heronbridge.com](mailto:gordon@heronbridge.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), any other state or federal regulatory authority, any foreign regulatory authority or any self regulatory body. Additional information about Heronbridge is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or Heronbridge’s website on [www.heronbridge.com](http://www.heronbridge.com).**

Heronbridge is a registered investment adviser with the SEC. Please note that being a registered investment adviser does not imply, in any way, a certain level of skill or training. Investors invested in any one of Heronbridge’s commingled funds (collectively referred to as “Unitholders”) and any separate account clients (together with the commingled funds, collectively referred to as “Clients”) and potential investors should rely only on the information contained in this document or in documents that Heronbridge has specifically provided. Heronbridge has not authorized any third party to provide information in connection with its investment programme or investment operations.

### **Item 2. Material Changes**

Heronbridge is providing this information as part of an other than annual update of information filed with the SEC. Prior to this update, the last Form ADV Part 2 submitted by Heronbridge was on 17 December 2013 to amend Heronbridge’s principal office information following a change of address. The purpose of this update is to amend information provided in respect of Heronbridge’s privately offered commingled Offshore Fund for non-U.S. investors following a change of fund administrator and trustee.

Copies of historic Form ADV Part 2 documents prepared by Heronbridge are available upon request to Gordon Westwood ([gordon@heronbridge.com](mailto:gordon@heronbridge.com)).

### **ITEM 3. TABLE OF CONTENTS**

<b>ITEM 2.</b>	<b>MATERIAL CHANGES .....</b>	<b>1</b>
<b>ITEM 3.</b>	<b>TABLE OF CONTENTS.....</b>	<b>2</b>
<b>ITEM 4.</b>	<b>ADVISORY BUSINESS .....</b>	<b>3</b>
<b>ITEM 5.</b>	<b>FEES AND COMPENSATION .....</b>	<b>4</b>
<b>ITEM 6.</b>	<b>PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT .....</b>	<b>5</b>
<b>ITEM 7.</b>	<b>TYPES OF CLIENTS.....</b>	<b>5</b>
<b>ITEM 8.</b>	<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....</b>	<b>6</b>
<b>ITEM 9.</b>	<b>DISCIPLINARY INFORMATION.....</b>	<b>11</b>
<b>ITEM 10.</b>	<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>11</b>
<b>ITEM 11.</b>	<b>CODE OF ETHICS; PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>13</b>
<b>ITEM 12.</b>	<b>BROKERAGE PRACTICES.....</b>	<b>14</b>
<b>ITEM 13.</b>	<b>REVIEW OF ACCOUNTS.....</b>	<b>17</b>
<b>ITEM 14.</b>	<b>CLIENT AND UNITHOLDER REFERRALS AND OTHER COMPENSATION.....</b>	<b>17</b>
<b>ITEM 15.</b>	<b>CUSTODY CONSIDERATIONS.....</b>	<b>17</b>
<b>ITEM 16.</b>	<b>INVESTMENT DISCRETION.....</b>	<b>19</b>
<b>ITEM 17.</b>	<b>VOTING CLIENT SECURITIES .....</b>	<b>20</b>
<b>ITEM 18.</b>	<b>FINANCIAL INFORMATION .....</b>	<b>21</b>
<b>PART 2B.</b>	<b>BROCHURE SUPPLEMENTS .....</b>	<b>22</b>

## **Item 4. Advisory Business**

### *History and Firm Structure*

Heronbridge was established in 2005 to provide investment management services in publicly traded equity investments principally issued by companies incorporated in the United Kingdom. As of 31 January 2014, Heronbridge managed US\$2.0 billion of assets under management on a discretionary basis (30 April 2013 : US\$1.2 billion). Heronbridge does not participate in any wrap fee programmes. Heronbridge is registered as an investment adviser with the SEC and is authorized by the Financial Conduct Authority in the United Kingdom.

Heronbridge is a UK limited liability partnership. As of 30 April 2013, Heronbridge had six partners and three employees. Heronbridge Limited (“HB Ltd”) owns a substantial majority (>90%) of Heronbridge’s capital. Under the terms of the limited liability partnership agreement (the “LLP Agreement”), the working members have the right to nominate a majority of individuals who will form part of Heronbridge’s Executive Committee. The actual appointment or removal of these individuals is determined by vote. Voting rights are determined by capital ownership of each underlying class of member. Members are normally admitted once per annum as of 1 May of each year.

Under the terms of the LLP Agreement, 99% of Heronbridge’s capital profits and 40% of Heronbridge’s income profits will accrue to HB Ltd. The remaining capital and income profits are allocated to the employees and working partners of Heronbridge. A structure chart highlighting Heronbridge’s organisation structure and material direct and indirect owners can be found in Item 10. Heronbridge would be pleased to answer any questions that any client or prospective investor may have on its ownership structure, industry affiliations or direct and indirect beneficial owners.

Heronbridge’s working partners have acquired 50.1% of HB Ltd (the capital provider to Heronbridge) and Silchester Partners Limited (“SP Ltd”) owns 49.9%. HB Ltd has two classes of shares. SP Ltd holds 100% of the Class A shares. These shares represent 49.9% of HB Ltd’s authorised share capital and 19.9% of HB Ltd’s voting rights. The working members hold 100% of the Class B shares. These shares represent 50.1% of HB Ltd’s authorised share capital and 80.1% of HB Ltd’s voting rights. The A Shares and the B Shares have different rights. The B Shares (i.e. those controlled by the working members) control HB Ltd. The A Shareholders effectively sit as minority shareholders. The consent of A Shareholders is required when material business decisions must be made (such as the sale of the business, the cessation of the business, entering into any commitment over a pre-set limit, amendments to the articles, etc.).

### *Types of Services that Heronbridge Provides to Clients*

Heronbridge provides discretionary investment management services to its Clients. Heronbridge brings a wide range of analytical, research, portfolio implementation and administrative skills through its business. Heronbridge strives to service Clients whose investment needs are growing from year to year. Heronbridge specialises in investing in publicly traded equity securities using a bottom up value investment approach. Heronbridge does not provide financial planning, quantitative planning or market timing services to Clients. Heronbridge generally does not further customise or modify its investment programme based on individual Client needs. Unitholders in Heronbridge’s commingled funds are not permitted to impose restrictions on investing in certain securities or types of securities.

## **Item 5. Fees and Compensation**

### *Funds*

Heronbridge provides discretionary investment management services to Unitholders in its privately offered commingled funds (the “Funds”) that are primarily invested in United Kingdom equity securities. The following fee scale is applicable to Heronbridge’s Fund for US investors, Heronbridge Value Equity Fund (“US Fund”) :

On the first \$15,000,000	1.00%
on the next \$25,000,000	0.90%
on the next \$75,000,000	0.70%
thereafter	0.60%

A separate fee scale for Heronbridge’s Fund for non-US investors, Heronbridge UK Equity Fund (“Offshore Fund”), is available on request.

Fees paid by each Unitholder invested in the Funds are based upon the market value of the Units held by the Unitholder rather than the value of the Fund itself. Fees are normally payable monthly in arrears, although the actual timing of fee payments will depend on the underlying legal domicile of a Fund and the terms of its operating agreements. Fees are normally paid via the redemption of part of the Units held by each Unitholder in a Fund on a monthly basis. Separate account clients are generally invoiced on a quarterly basis in arrears for the investment management services that Heronbridge provides. Unitholders will incur brokerage and other transaction costs as described in ‘Brokerage Practices’. No other additional fees or expenses are charged to separate account clients.

The Funds pay their own direct trading expenses, clearing fees, and other exchange fees and charges. Direct trading expenses include brokerage commissions, “bid-ask” spreads, mark-ups, registration and transfer fees, regulatory and governmental charges and duties, and other fees and expenses relating to investments. The Funds are obligated to pay all income and other taxes related to their underlying investments. In addition, the Funds may be required to reimburse Heronbridge, or the third party service providers to the Funds, for legal expenses incurred to protect the Unitholders that Heronbridge determines are not routine (e.g., extraordinary legal expenses such as those incurred in connection with litigation to protect or promote the investment rights or obligations of the Funds (as applicable) and legal or accounting expenses incurred in connection with reclaiming foreign withholding taxes) and that are not borne by Heronbridge.

Heronbridge pays all routine legal, audit and accounting fees related to the Funds and the ongoing offering of Units as well as annual audit fees and tax return expenses (if any). Heronbridge pays any fees payable to the Custodians, Trustees, Fund Administrators, Managers, Auditors, Tax Advisors and other similar service providers of the Funds. Heronbridge has paid all expenses incurred in connection with the organization and the formation of the Funds and will pay all costs associated with the ongoing issuance of the Units of these Funds to the extent that it remains the appointed investment manager of the Funds. The Funds are not required to raise a minimum amount in order to defray these costs and expenses. The Funds are not required to reimburse Heronbridge in the event that the investment management fees are insufficient to cover the expenses borne by Heronbridge.

### *Separate Accounts*

At present Heronbridge would not ordinarily anticipate opening any new separate accounts, with the exception of temporary accounts used to facilitate investment into or withdrawals out of its Funds. The fee scale for existing separate accounts is available on written request.

Clients invested in separate accounts pay their own direct trading expenses, clearing fees, and other exchange fees and charges. Direct trading expenses include brokerage commissions, bid-ask spreads, mark-ups, stock loan expenses, registration and transfer fees, regulatory and governmental charges and duties, and other fees and expenses relating to investments. Clients invested in separate accounts are obligated to pay all income and other taxes related to their underlying investments. In addition, Clients invested in separate accounts may be required to reimburse Heronbridge for legal expenses incurred to protect the investor that Heronbridge determines are not routine (e.g., extraordinary legal expenses such as those incurred in connection with litigation to protect or promote the investment rights or obligations of the investors invested in separate accounts (as applicable) and legal or accounting expenses incurred in connection with reclaiming foreign withholding taxes) and that are not borne by Heronbridge. In addition, Clients invested in separate accounts are responsible for paying their own legal, audit and accounting fees as well as annual audit fees and tax return expenses (if any). Clients invested in separate accounts pay any fees payable to their separately appointed Custodians, Trustees, Fund Administrators, Managers, Managing Members, Auditors, Tax Advisors and other similar service providers.

#### *Fee Rebate Policy*

Fees are not generally negotiable. However, Heronbridge may rebate fees paid by Unitholders invested in the Funds or charge lesser fees to separate account clients based upon their relationship with Heronbridge, the assets invested, the timing of the investment, and other factors deemed relevant by Heronbridge.

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

Heronbridge does not charge performance based fees to any of its Clients or to any Unitholders. All fees are charged on an *ad valorem* basis. Heronbridge members, shareholders and related parties have invested in the Funds. These members, shareholders and related parties invest in the Funds on the same terms and pay the same fees as other unaffiliated clients in the Funds. No fees are waived for Heronbridge or its related parties.

### **Item 7. Types of Clients**

Each Fund, and not the underlying Unitholders in each Fund, is considered a Client pursuant to Rule 203(b)(3)-1 of the Investment Advisers Act of 1940, as amended. Heronbridge makes investments on behalf of the Funds for the benefit of the underlying Unitholders in each respective Fund. Units are sold only to Unitholders that qualify as “accredited investors” and “qualified purchasers” under applicable securities laws. An investment in units of a Fund involves the risk of loss. Heronbridge has generally offered separate account services to institutional clients, such as pension plans, foundations and endowments. Heronbridge, in its capacity as investment manager, is responsible for reviewing and managing the holdings of each Fund based on the results of its research activities, and for making appropriate recommendations to satisfy the respective investment goals of the Funds. Additional information is available in the respective offering memorandum of each Fund.

#### *Conditions for Managing Accounts*

The minimum initial subscription for Units in the US Fund is US\$500,000. Heronbridge may, in its sole discretion, accept or reject, in whole or in part, any investment or impose conditions or restrictions on such investment, such as increasing or decreasing the amount of the minimum investment or requiring a Unitholder to establish a temporary or transition account with the custodian of the Funds and wire funds to that account prior to an applicable dealing day. Unitholders may redeem all or part of their Units in a Fund on any dealing day by providing Heronbridge with written notice at least six (6) Business Days prior to the dealing day upon which the redemption is to be effective. Certain documentation must also be returned at least four (4) Business Days prior to such dealing day. There is no minimum redemption

size for redemptions from the Funds. Additional information is available in the respective offering memorandum of each commingled Fund.

Heronbridge would not ordinarily anticipate opening any new separate accounts, with the exception of temporary accounts used to facilitate investment into or withdrawals out of its Funds.

#### *Transition Accounts*

Heronbridge has the ability to direct clients making cash contributions to or redemptions from the Funds to use transition accounts. Transition Accounts are temporary custody accounts that are opened under the Fund's general legal structure. They are used to facilitate large subscriptions and withdrawals. The Transition Account structure allows Heronbridge to invest cash contributions outside of the Fund's direct assets or to liquidate holdings outside of the Fund's direct assets (and therefore avoid impacting existing investors or remaining investors, as the case may be). By investing new cash flows or liquidating the securities separately, the incoming or outgoing investors bear their own market risk during the investment or redemption period (usually one month but this can be longer depending on market conditions), as well as their own dealing costs. Heronbridge believes that these procedures safeguard the benefits of commingled investing for all participants and represent a fair and equitable way of accommodating periodic subscriptions and withdrawals. Prospective investors should refer to the specific provisions of each commingled Fund's Offering Memorandum for a complete discussion of Transition Accounts and the risks involved therein.

#### *Sideletter Agreements*

Heronbridge generally will consider entering into a sideletter agreement only when rules governing the investment by a specific Unitholder (such as state law or the governing documents related to such Unitholder) in a Fund require a specific variation, provided that such change is not expected to materially impact Heronbridge, other service providers to the Funds or other Unitholders. It is Heronbridge's policy not to agree to any sideletter or other similar agreements that grant any Unitholder or group of Unitholders preferential rights with respect to the payment or timing of redemptions, indemnification from Heronbridge, the law governing Heronbridge's and each Unitholder's responsibilities under the governing documents for the Funds, or access to data on a Fund's holdings or trading activity. Heronbridge will provide a summary of all sideletter agreements currently in effect upon the written request of a current or prospective Unitholder.

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

#### *Investment Strategy and Analysis*

Heronbridge provides discretionary investment management services to Clients according to a clear investment strategy. The investment objective is to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in the United Kingdom. As many companies have multinational operations, a company's location ordinarily is determined by its jurisdiction of incorporation or by reference to its primary stock exchange listing. To achieve its objectives, Heronbridge generally seeks to invest in a portfolio of securities that, in its opinion, possess fundamental investment value.

Heronbridge believes that securities with low market price to earnings, cash flow, asset value or sales ratios typically, but not necessarily, possess fundamental investment value. Investments meeting the above criteria are identified by Heronbridge in part through the use of database screens. Heronbridge carries out financial analysis on prospective investments and reviews their underlying business strengths and weaknesses, their plans, and their management. Heronbridge believes that investments that appear

attractive on these criteria will be suitable investments for a United Kingdom based portfolio and that these investments will normally constitute the majority of each client portfolio.

When allocating investments among industries and sectors, the prime determinant for Heronbridge will be the attraction of the individual security investments (a “bottom up” approach). Business or economic cycles will also be considered as they affect individual companies. Nonetheless, Heronbridge intends to ordinarily retain a reasonable diversification of investments across sectors and industries.

Heronbridge has established investment parameters as to the amount each Client’s portfolio can be invested in, including but not limited to, securities with particular characteristics, individual securities, and the securities of companies in particular industries and sectors. These investment parameters are outlined more fully in the Investment Guidelines set out in the confidential private offering memorandum for each Fund or in the investment guidelines agreed with any separate account investor.

### *Types of Investments*

Heronbridge will seek to achieve the investment objectives principally by investing in a wide range of equity and equity-related instruments, including common and preferred shares, convertible preferred stocks and investment grade instruments. Heronbridge intends to invest primarily in United Kingdom equities and equity-related securities; however, Heronbridge may invest in securities located in other markets to facilitate the establishment of a position in a United Kingdom company or the disposal of a position previously held in a United Kingdom company. These situations would ordinarily arise following corporate activity, particularly takeovers and mergers, involving United Kingdom companies.

Heronbridge is not permitted to invest in futures, options on futures or derivative contracts but may utilize forward currency contracts to hedge a portion of non-GB Pounds (“non-Sterling”) currency exposure (if any) to GB Pounds (“Sterling”). Restrictions on the use of forward contracts are disclosed in further detail in separate account investment management agreements (where applicable) and each Fund’s investment guidelines.

The Northern Trust Company or one of its direct or indirect subsidiaries (“Northern Trust”) has been appointed to act as the custodian for the Funds. Pursuant to a Foreign Exchange Procedural Trades Agreement entered into by Heronbridge and Northern Trust, Heronbridge may direct Northern Trust to execute all daily foreign exchange transactions at the publicly quoted 4:00PM London time WM Company/Reuters closing bid/ask spot rates unless certain extraordinary conditions exist in a specific currency market or Heronbridge, in its discretion, decides to execute all or part of a Fund’s daily foreign exchange transactions pursuant to another arrangement with Northern Trust or another counterparty.

Subject to investment guidelines, Heronbridge may invest in (i) non-exchange traded securities including private placements and securities subject to transfer restrictions under Rule 144A or Regulation S of the Securities Act of 1933 or otherwise commit to acquire securities on a forward commitment basis, and (ii) unregistered and bearer securities. Heronbridge does not invest in futures or options on futures. Heronbridge may, however, invest in, hold, and purchase, or otherwise acquire rights, stock options, stock coupons, warrants, and other similar investments issued, sold, or distributed by a portfolio holding as part of a corporate action or other similar transaction. Heronbridge may purchase the securities of issuers during an initial public or secondary offering of securities. Companies involved in initial public or secondary offerings of securities typically have short operating and trading histories and generally are less established. The prices of securities issued as part of initial public or secondary offerings traditionally have been quite volatile. Heronbridge also may be required to agree to certain transferability restrictions as a precondition for participating in these types of security offerings.

## *Frequency of Trading*

Over the course of a market cycle, Heronbridge would expect the turnover of its commingled Funds to typically be in the range of 15-30% per annum. Heronbridge makes investment decisions on when to sell a security solely based on its investment criteria and does not take into account tax considerations. In other words, Heronbridge does not engage in “tax loss harvesting” strategies employed by other investment advisers.

## *Strategy Risks:*

There are a number of material risks associated with Heronbridge’s investment strategy. These include, but are not limited to, the following matters. Further information on investment risks is disclosed in the confidential private offering memorandum of each Fund or in the investment management agreements for separate account clients.

- *Concentration in United Kingdom Equity Securities.* Heronbridge concentrates its investments in equity securities of companies incorporated in the United Kingdom or trading on the United Kingdom stock exchanges. Consequently, Heronbridge portfolios may be more volatile than those that do not share this geographic concentration. The value of portfolio investments may vary in response to political and economic factors affecting companies in the United Kingdom.
- *Foreign Currency Risk.* Heronbridge concentrates its investments in equity securities of companies incorporated in the United Kingdom or trading on the United Kingdom stock exchanges which are generally denominated and quoted in Sterling. A portion of assets also may be invested in the equity securities of companies located outside the United Kingdom, which may be denominated in currencies other than Sterling.

Sterling is fully convertible and transferable based on floating exchange rates into all readily convertible currencies without administrative or legal restrictions for both non-residents and residents of the United States. Although unlikely, the United Kingdom monetary authorities may periodically prevent Sterling from freely fluctuating in price and may, periodically for long periods of time, intervene in foreign currency markets. The United Kingdom monetary authorities may also periodically consider adopting an alternative currency (such as the Euro) as the primary currency for the United Kingdom. As a result, the value of Client assets may be affected favourably or unfavourably by fluctuations in the value of Sterling relative to other major currencies.

- *Exposure to Other Markets.* Heronbridge invests primarily in the United Kingdom but may invest in other markets to facilitate the establishment or disposal of United Kingdom companies. Investors are therefore subject to: (i) currency exchange-rate risk; (ii) the possible imposition of withholding, income, capital gains or excise taxes; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and little, or potentially biased, government supervision and regulation; (iv) financial, economic and political risks, including expropriation, currency exchange control and potential restrictions on foreign investment and repatriation of capital; and (v) global market turmoil.
- *Forward Contracts on Foreign Currencies.* Heronbridge may engage in trading in the interbank spot and forward contract markets for foreign currencies. Forward contracts are not traded on exchanges; rather, a bank or dealer will act as agent or as principal in order to make or take future delivery of a specified lot of a particular currency. Although Heronbridge does not believe that the foreign currency market is necessarily more volatile than other commodity markets, such forward currency transactions may involve less protection against defaults than trading on exchanges. Generally, U.S. regulatory agencies and banking authorities do not regulate the trading of forward contracts between



institutional counterparties, although these contracts may be subject to certain margin limitations. There are generally no limitations on price movements of forward contracts. Clients are subject to the risk of a principal's failure or inability or refusal to perform with respect to such contracts. The bankruptcy or insolvency of a principal with which a Client contracted, or the failure, inability or refusal of such principal to perform, would likely result in a default, thereby depriving the Client of unrealized profits or forcing the Client to cover its commitments for resale, if any, at the then market price. Forward contracts will be transacted only with banks and dealers that Heronbridge believes to be large and well capitalized. If Heronbridge places trades for a Client through an agent, the insolvency or bankruptcy of such party could also subject a Client to the risk of loss. Principals in the forward markets have no obligation to continue to make markets in currencies. There have been periods during which certain banks or dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell. Government authorities may limit forward trading to levels below those preferred by Heronbridge. Heronbridge does not require the principal counterparty to provide collateral to support unrealized gains related to Client spot and forward foreign currency contracts. Therefore, the collection of amounts due to each Client is subject to the overall creditworthiness of the principal counterparty and the default by or bankruptcy of the principal counterparty could result in material losses to Clients. In the event of an extraordinary event (or a dispute as to whether an event is "extraordinary"), volatility or irregularities in a given foreign exchange market, or for other factors, the principal counterparty may be unable to (or choose not to) execute Client foreign currency transactions pursuant to Heronbridge's direction. This could result in material losses to Clients.

- *Options.* Heronbridge may from time to time acquire options for a Client's account as part of a corporate action or other similar transaction. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment in the option (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires.
- *Warrants.* Heronbridge may from time to time acquire equity warrants for a Client's account as part of a corporate action or other similar transaction. Equity warrants are securities that give the holder the right, but not the obligation, to subscribe for newly created equity issues of the issuing company or a related company at a fixed price either on a certain date or during a set period. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.
- *Investment in Initial Public and Secondary Offerings.* To the extent permitted by law, Heronbridge may purchase the securities of issues during an initial public or secondary offering of securities. Companies involved in initial public or secondary offerings of securities typically have short operating and trading histories and generally are less established. The prices of securities issued as part of initial public or secondary offerings traditionally have been quite volatile. Heronbridge also may be required to agree to certain transferability restrictions as a precondition for participating in these types of security offerings.

- *Price Fluctuations.* Prices of equity securities and other instruments are volatile. Prices are affected by a wide variety of complex and difficult-to-predict factors, including, but not limited to, supply of money, inflation, weather and climatic conditions, changing supply and demand relationships, governmental activities and regulations, political and economic events and prevailing psychological characteristics of the marketplace. These same factors also can affect the securities markets adversely.
- *Position Limits.* Market regulatory authorities may, from time to time, establish limits as to the maximum number of shares that Heronbridge and its associated companies may hold or control in particular securities of a company without requiring Heronbridge to make an offer to purchase all the outstanding shares of the company or obtaining a regulatory waiver to hold a larger position. Market regulatory authorities may also assess additional income, capital gain and withholding taxes in these situations. All accounts controlled by Heronbridge and its associated companies may be combined for these purposes. It is possible that trading decisions of Heronbridge and its associated entities may have to be modified such that a further position in a given company is not acquired or that positions held by a Client would have to be liquidated to avoid exceeding such limits or that such limits may, in fact, be exceeded. This may influence the overall return to Clients.
- *Illiquidity.* Heronbridge may purchase investment instruments that later become illiquid or otherwise restricted. These positions may only be able to be liquidated at disadvantageous prices. The decision to hold or liquidate such securities is at Heronbridge's sole discretion. Although many of the securities that Heronbridge may acquire may be traded on public exchanges, each exchange typically has the right to suspend or limit trading in the securities which it lists. Suspensions could render it difficult or impossible for Heronbridge to liquidate any or all of its positions and would thereby expose Clients to losses.
- *Transactions on Non-U.S. Exchanges.* Heronbridge engages in trading on markets outside the U.S. Transactions on non-U.S. exchanges are not regulated by U.S. governmental agencies, such as the SEC. Heronbridge portfolios will be subject to the risk of fluctuation in the exchange rate between local currency and U.S. dollars. Any profits that might be realized in any trading could be eliminated by adverse changes in exchange rates or losses could result. Some non-U.S. exchanges, in contrast to exchanges in the U.S., may be "principals markets" similar to the forward markets, in which responsibility for performance is only that of the principal with whom a trader has entered into a transaction, and not of an exchange or clearing corporation. In some cases, a broker may in effect take the opposite side of trades. Because some non-U.S. exchanges generally lack a clearinghouse system such as that utilized by exchanges in the U.S., market disruptions may be more likely to occur on non-U.S. exchanges and, in extreme circumstances such as the failure of a broker or other counterparty, the settlement of security trades may be delayed or cancelled. To minimize the risk of broker or counterparty default and subsequent loss, Heronbridge will normally arrange for security purchases and sales to be settled on a "delivery versus payment" basis. Heronbridge does not utilize the services of any prime brokers.
- *Cash Balances.* The U.S. dollar cash balances for the U.S. Fund may be invested in money market funds sponsored by Northern Trust. Heronbridge may direct Northern Trust to hold U.S. dollar cash balances in other money market funds, deposit accounts or other vehicles in its sole discretion. Investors could incur losses in the event that the net asset value of the money market funds falls below US\$1.00 or if redemptions from the money market funds, deposit accounts or other vehicles were restricted. Non-U.S. dollar cash balances are held in deposit accounts at various subagent banks. These deposit accounts are subject to counterparty and credit risk (for example, if either the custodian or the subagent bank were to declare bankruptcy or otherwise default on its financial obligations).

- *No Formal Diversification Policies.* Although the allocation of assets across different securities is an integral part of Heronbridge's overall portfolio risk management process, except for the Investment Guidelines, there are no fixed guidelines for diversification of investments among issuers, sectors, instruments or markets and may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximize Client returns, Heronbridge may concentrate Client holdings in those companies, instruments or sectors which, in the sole judgment of Heronbridge, provide the best profit opportunity in view of the investment objectives.
- *Investment Approach.* There is no guarantee that the investment approach, techniques, or strategies utilized by Heronbridge on behalf of the Client will be successful or profitable. All investments risk the loss of capital. Furthermore, there can be no assurance that the specific trading strategies utilized for the Clients will produce profitable results. Any factor that would make it difficult to execute trades, such as reduced liquidity or extreme market developments, also could be detrimental to profits. Unlike certain other types of funds, it is the intention that the Clients will have only one investment manager.
- *Credit Risk.* Securities trading in United Kingdom equities is subject to the risk that the brokers and counterparties with which, and the exchanges on which, the trades are executed or positions are carried may default. The default by an exchange, clearing house or counterparty could result in material losses. Certain markets require all securities to be held in a central securities depository and, in certain cases, the depository may be owned by a foreign government or government body and not be supported by a national network of well capitalized financial institutions. The default of such government or depository, or the failure of such depository to maintain suitable and sufficient procedures to mitigate against theft or loss, could result in material losses. To minimize transaction and foreign exchange dealing costs, Heronbridge may request that a broker or counterparty "warehouse" smaller security trades. Where security positions are "warehoused", the executed trade remains the property of the executing broker or counterparty until such time as the trade is allocated to a specific client account. If the broker or counterparty defaults or declares bankruptcy, the Client could suffer losses on warehoused security positions.
- *Tax Risks.* Heronbridge's investment decisions are based primarily upon economic considerations and not tax considerations, and could result, from time to time, in adverse tax consequences.

#### **Item 9. Disciplinary Information**

There have been (and are) no material criminal, civil, regulatory, business, or administrative proceedings against Heronbridge or any of its employees, principals or advisory affiliates. Heronbridge and its employees, principals and advisory affiliates are not currently in litigation or arbitration and have not received any subpoenas. Neither Heronbridge nor any of its employees, principals or advisory affiliates have ever been subject to any criminal proceeding.

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

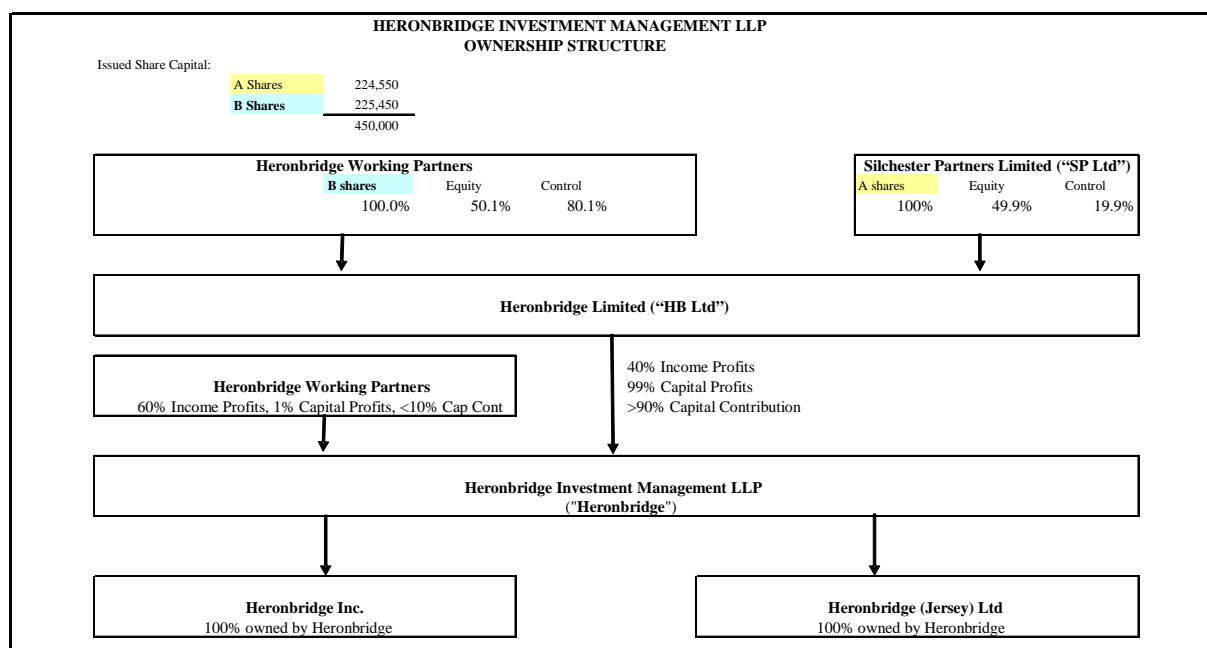
Heronbridge is not affiliated with any banks, broker dealers or custodians. Heronbridge is an independent limited liability partnership that is primarily owned and controlled by its members. HB Ltd is owned and controlled by current Heronbridge partners and their related parties as well as by SP Ltd.

As shown on the following organization chart, Heronbridge has two wholly owned subsidiaries, Heronbridge, Inc., which is located in Delaware, and Heronbridge (Jersey) Ltd. Heronbridge, Inc. acts as the tax matters partner and registered agent for service of process for the US Fund, Heronbridge's privately offered commingled Fund for U.S. investors. Heronbridge (Jersey) Ltd acts as the manager for Heronbridge's privately offered commingled Offshore Fund for non-U.S. investors.

SP Ltd is an indirect minority owner of Heronbridge. SP Ltd is a member of Silchester International Investors LLP (“SII LLP”), a UK based investment manager registered with the SEC as an investment adviser (SEC File Number: 801-49530). SP Ltd also maintains direct and indirect investments in a number of other regulated investment management firms. Heronbridge does not have any direct business relationships with these firms and, as a result, has not described them in its regulatory filings. Further information on these other investment management firms is disclosed in SII LLP’s Form ADV. SII LLP’s CRD Number is 110987. Alternatively, information is available from SII LLP’s Chief Compliance Officer, Timothy Linehan ([tlinehan@silchester.com](mailto:tlinehan@silchester.com)).

Timothy Linehan sits on the Board of HB Ltd in the capacity of Non-Executive Director and on the Executive Committee of Heronbridge as a non-working member appointed by HB Ltd, having done so since November 2005 with limited influence in the day-to-day management of Heronbridge’s operations and business. SII LLP employees and partners, SP Ltd and its shareholders and former employees and their related parties have and may, from time to time, invest assets in Heronbridge’s Funds. SP Ltd is eligible to receive dividends from HB Ltd as the result of its equity holding.

### *Heronbridge’s Organization Chart*



### **Subsidiary – General Partner:**

Heronbridge, through its wholly owned US subsidiary Heronbridge, Inc. serves as tax matters partner for the Heronbridge Value Equity Fund, a Fund that is structured as a Delaware statutory trust, but is treated as a partnership for US income tax purposes. Heronbridge Inc. also serves as the agent for service of process for Heronbridge with respect to certain regulatory and tax filings, including the SEC, the US Department of Labor and the IRS, as well as so-called state blue sky or limited offering notices.

### **Privacy Considerations:**

Heronbridge is committed to maintaining the confidentiality, integrity and security of personal information provided by Clients and Unitholders in the Funds. Personal information may be obtained in a number of ways, such as during the application process for units in a Fund or ongoing communications between Heronbridge and its Clients or Unitholders. All information obtained about Clients or Unitholders is treated as confidential unless the Client or Unitholder has otherwise made the information

public, such as its relationship with Heronbridge or investment in a commingled Fund. Heronbridge generally exercises the same care dealing with personal information obtained from its Clients and Unitholders that Heronbridge uses in dealing with its own internal confidential information.

Heronbridge protects personal information provided by Clients and Unitholders in a number of ways. All of Heronbridge's employees and members are subject to strict employment policies regarding Client confidentiality. Heronbridge takes reasonable measures to dispose of personal information to protect against unattended access and use. Heronbridge has adopted various procedures to implement its policy to monitor and ensure the policy is observed, implemented properly and amended or updated as appropriate. Heronbridge attempts to ensure that its systems are secure and aims to apply password protections, firewalls, encryption technologies, and other mechanisms to guard confidential Client and Unitholder information that are suitable and sufficient based on the size and nature of its business. Select physical and procedural safeguards have been established to guard Client and Unitholder information. Former employees and members also are prohibited from disclosing non-public personal information.

Heronbridge may use data obtained from Clients and Unitholders for the purpose of communicating information about its investment products. Heronbridge may also provide information concerning Clients and Unitholders to firms that assist Heronbridge in servicing its Clients and Unitholders, including Heronbridge's associated firms. This helps to ensure that all Clients and Unitholders are given an appropriate level of service. Information concerning Clients and Unitholders also may be passed to regulatory authorities or law enforcement officials who have jurisdiction over Heronbridge, as otherwise acquired by applicable law and regulations, or if reasonably required to prevent fraud and unauthorized transaction. Under certain limited circumstances, Heronbridge may provide Clients and Unitholders with information concerning the investment products of its business partners if Heronbridge believes this information may be of interest to Clients and Unitholders. Clients and Unitholders that do not wish to receive this information may contact Heronbridge and request to be removed from these distribution lists. On at least an annual basis Heronbridge provides copies of its privacy policy to its Clients. Clients and Unitholders may request a copy of the current privacy policy at any time by contacting Heronbridge's Client Services representatives.

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

Heronbridge has adopted a Code of Ethics (the "Code") to effectuate the purposes and objectives of Rule 204A-1 of the Investment Advisers Act of 1940. The Code sets forth Heronbridge's business conduct in its capacity as a fiduciary for its Clients and establishes standards of conduct for its supervised personnel. The Code was developed with the view that Heronbridge is, and wishes to remain, closely aligned with the interests of its Clients and underlying Unitholders. Among the topics covered in the Code are: prohibitions on insider trading, resolving conflicts of interest, personal securities transactions by Heronbridge's personnel, and confidentiality of Unitholder information. Heronbridge will provide a copy of its Code to any Unitholder or prospective investor upon request and without charge. To obtain a copy of Heronbridge's Code, please contact Heronbridge's Chief Compliance Officer (Gordon Westwood on +44 (0) 1225 328301 or via email on [gordon@heronbridge.com](mailto:gordon@heronbridge.com)).

#### **Participation or Interest in Client Transactions:**

Heronbridge established each of its Funds and pays for the ongoing costs of operating these Funds, including custody, fund administration, legal, tax accounting, annual audit, and reporting fees. Heronbridge derives fees from each Unitholder based upon the market value of each Unitholder's Units in the Funds. Members of Heronbridge as well as the shareholders and related parties of HB Ltd have invested in Heronbridge's privately offered commingled Offshore Fund for non-US investors and, in certain limited circumstances, the US based Fund. For U.S. income tax purposes, Heronbridge Inc. serves as the tax matters partner of Heronbridge's US based Fund, where appropriate.

**Personal Account Trading Policies:**

Employees and members of Heronbridge and its subsidiaries may trade securities for their own accounts in accordance with Heronbridge's established procedures. These procedures provide, in part, that employees and members of Heronbridge are prohibited from acquiring (i) securities that Heronbridge is currently purchasing, or selling on behalf of its Clients, or (ii) securities that represent prospective investments. Heronbridge's procedures prohibit Heronbridge from favouring accounts in which it, its associated entities, or its/their employees, partners, principals, directors or members have a direct or indirect financial interest. Certain agents and other independent contractors (including individuals that may provide research to Heronbridge on a contractual basis) may be subject to differing restricted trading procedures. Employees and members of Heronbridge are generally prohibited from acting as the directors of any publicly traded companies that may form part of a Client portfolio.

**Determination of Type, Number and Timing of Transactions:**

Other than as specified by a Fund's investment guidelines or pursuant to the terms of a separate account investment management agreement, Heronbridge has sole authority to determine, without obtaining specific consent, the amount and specific securities to be bought and sold for each account.

**Item 12. Brokerage Practices****Brokerage Selection and Commission Issues:**

Heronbridge may select brokers and dealers on behalf of its Clients, to be used in purchasing or selling securities, for executing and clearing trades, for provision of research and research related services, and assistance with other non U.S. exchange transactions in its sole discretion. Heronbridge is not affiliated with any broker/dealers and does not execute equity or foreign exchange transactions as a principal. Accordingly, Heronbridge selects unaffiliated third-party broker/dealers to execute all Client transactions although, as permitted by applicable law and described in more detail below, Heronbridge may from time to time direct a Client to purchase or sell equity securities or currencies directly from or to another Client as part of transactions not requiring the use of a broker.

In selecting brokers, Heronbridge seeks the best combination of price and quality of execution services, after considering factors that may impact the transaction. These factors include, but are not limited to, the particular expertise of the broker with respect to the size or type of transaction, the commission rates charged, the nature and character of the relevant markets on which the transactions will be executed, and the broker's execution experience, integrity, credit-worthiness, financial responsibility and operational efficiency. Heronbridge primarily relies upon its own proprietary research and research of sub-advisers and associates in rendering investment advice. Nevertheless, Heronbridge may consider the availability and quality of research products and services provided by a broker in selecting which brokers to use in effectuating Client transactions. Research products and services include information and analysis of portfolio companies, their competitors or suppliers, industry and economic appraisals, market intelligence data, and other services that may assist Heronbridge in its investment decision-making. Heronbridge executes Client transactions through various types of brokerage arrangements:

- “Traditional” Brokers. Traditional brokers provide Heronbridge and the Clients with a “bundled” service which typically includes both the cost of trade execution and research-related products and services in quoted commission rates. While traditional brokers will execute transactions on behalf of Clients on a so-called “agency” or “execution only” basis, they also will execute transactions as a principal, thereby risking their proprietary capital to facilitate Client transactions. Traditional brokers may also be used to execute transactions when, for example, a broker possesses special or unique knowledge of a company, industry or sector, where they act as “house broker” (i.e., to facilitate share buybacks), or can trade larger blocks of securities without disrupting market prices.

- “Execution Only” and “Agency” Brokers. Although permitted to do so, execution and agency only brokers generally choose not to provide research services to Heronbridge, or risk their proprietary capital when acting as counterparty, and therefore generally provide trade execution services at reduced commission rates relative to traditional brokers. These brokers ordinarily rely on natural market order flow to facilitate trades. On occasion, when there is a less-liquid natural market, this may make it somewhat more difficult to facilitate Client transactions. Given these shortcomings, execution only and agency only relationships are used primarily to facilitate Client transactions involving certain larger capitalization and highly liquid securities. Execution and agency brokers may utilize electronic crossing networks for Heronbridge’s transactions if and when appropriate.
- Internal Cross Transactions. Subject to ERISA or other applicable laws to reduce transaction costs, rebalance Client investment portfolios or for other reasons, Heronbridge may from time to time, to the extent permitted by law, cause a Client account to enter into cross transactions directly with other Client accounts for which Heronbridge also acts as the discretionary investment manager. This normally occurs where inflows into one Client account coincide with outflows from another Client account for which Heronbridge also acts as an adviser. In the event that Heronbridge causes one Client to purchase securities from or sell securities to another Client, Heronbridge uses its best efforts to mitigate potential conflicts of interest by causing such transaction to ordinarily occur at the then prevailing market price of the applicable securities and by considering the interests of all Clients that are parties to the transaction. Heronbridge may use unaffiliated third party brokers to facilitate these cross transactions and/or execute such cross transactions “off-exchange” without using a broker. No commissions are paid when the cross trades are executed “off-exchange”. Heronbridge will provide an underlying investor with details of the Client’s crossing activities on a periodic basis upon the receipt of a written request for such information from the underlying investor.
- Commission Recapture and Directed Brokerage. Heronbridge does not participate in commission recapture or directed brokerage arrangements.

Commission costs may vary for reasons such as whether execution and research services are bundled or separately charged. Commission cost factors include, but are not limited to, the particular expertise of the broker with respect to the size or type of transaction, the commission rates charged, the nature and character of the relevant markets on which the transactions will be executed, and the broker’s execution experience, integrity, credit-worthiness, financial responsibility and operational efficiency. Heronbridge may determine to pay broker commissions or mark-ups in excess of that which another broker might have charged for effecting the same transaction in recognition of either the execution or research services provided by the broker. Commission rates generally are subject to periodic reappraisal.

Heronbridge does not share, directly or indirectly, in any of the revenues generated by Clients’ brokerage transactions. Heronbridge is responsible for negotiating commissions and spreads paid in connection with such transactions and may select brokerage firms that provide research to Heronbridge, resulting in the payment of higher rates or spreads than those charged by other brokers if Heronbridge believes such rates are justified by the value of the research provided, or the quality or nature of the brokerage services provided.

#### **Soft Dollar Considerations:**

It is Heronbridge’s policy, consistent with the obligation to seek the most favorable combination of price and quality of execution, to effect transactions from time to time with brokers who provide research related products or services or pay for research related products and services provided by third parties directly or indirectly to Heronbridge.

Heronbridge may receive “soft-dollar” benefits from, or pay “soft dollar commissions” to the Clients’ brokers and may participate in commission sharing arrangements (“CSAs”) so long as these CSAs comply with applicable regulations. The type of “soft dollar” benefits received by Heronbridge from brokers and counterparties is limited to research and research related services that fall within the so-called “safe harbor” provisions of Section 28(e) of the U.S. Securities Exchange Act of 1934 and the so-called “permitted research” exemptions established by the Financial Conduct Authority (“FCA”) in the United Kingdom governing the receipt of research and execution services from brokerage counterparties. This includes, among other items, research of actual or potential portfolio companies, their competitors or suppliers, as well as market intelligence data. Heronbridge believes that the amount of commissions paid to brokers providing it with research and research related products and services is reasonable in relation to the value of the brokerage and research services provided by the brokers, viewed in terms of a particular transaction or Heronbridge’s overall responsibilities to its commingled funds, the underlying investors in these funds, and separate account clients.

In the United Kingdom, the FCA requires all investment managers to provide Clients and Unitholders with detailed information on the sources and uses of commissions. This summary is provided to Clients and Unitholders on a semi-annual basis and highlights the proportion of Clients and Unitholders commissions used for execution and research services across Heronbridge’s Client portfolios. Commission rates will vary from year to year depending on investment activity.

### **Allocation of Investment Opportunities:**

Heronbridge endeavours to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities among its Clients, but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Clients, or any restrictions on the nature or timing of investments for the accounts of the Clients or Heronbridge’s own account. To reduce transaction costs, rebalance the Client’s portfolio or for other reasons, Heronbridge may, from time to time, to the extent permitted by law, cause a Client to enter into cross transactions with other Clients. This normally occurs where inflows into one Client coincide with outflows from other Clients. In the event that Heronbridge causes a Client to purchase securities from or sell securities to such other Clients, Heronbridge will use its best efforts to mitigate potential conflicts of interest by causing such transaction ordinarily to occur at the then prevailing market price of the applicable security and by considering the interests of all Clients.

The principals of Heronbridge are not obligated to devote any specific amount of their business time to the affairs of Heronbridge, and Heronbridge is not required to accord exclusivity or priority to a Client in the event of “limited availability” investment opportunities. Subject to Heronbridge’s Code, the directors, officers, and employees of Heronbridge, may buy and sell securities (or other derivative instruments) for their own account and/or the accounts of others. Such trading may be similar to, or different from, the investment strategies pursued on behalf of a Client.

When Heronbridge determines that it would be appropriate for more than one Client to participate in an investment opportunity, Heronbridge seeks to execute orders for all of the participating Clients on an equitable basis. Specifically, to the extent feasible under the applicable rules and regulations, if Heronbridge has determined to invest at the same for more than one Client, Heronbridge may place combined orders for all such Clients simultaneously and, if the order is not filled at the same price, Heronbridge will average the prices paid over a particular trading day or such longer period consistent with the accumulation or disposition of a particular trade. Similarly, if an order is placed on behalf of more than one Client and the order cannot be fully executed under prevailing market conditions, Heronbridge may allocate the trade execution among different Clients on a basis that Heronbridge deems equitable. This is normally achieved by pro-rating actual trade executions among Clients in accordance with the total number of shares outstanding on each Client’s order and rounding such executions to reflect minimum trading sizes, minimum allocations necessary to avoid undue costs being realised by clients (such as transaction and foreign exchange costs resulting from smaller allocations) and efficiencies inherent in trade reporting. Where Heronbridge elects to participate in initial public offerings or



secondary offerings, governmental privatisations or other similar events, all allocations are done on a strict pro rata basis taking into account minimum trading sizes and other regulatory restrictions. Situations may occur where a Client could be disadvantaged because they participated in the aggregate order.

Heronbridge anticipates that the substantial majority of its trade executions will be allocated between Clients in a pro-rata manner. In the rare circumstance where Heronbridge determines that this pro rata allocation methodology may not be in a Client's best interest, Heronbridge may, in its reasonable discretion, make an adjustment to the pro-rata allocation. This may occur when a Client has insufficient cash on hand to settle an allocated order or satisfy certain future commitments. This may also occur if a Client will be overdrawn as a result of accepting a commitment to purchase the allocated securities. In these situations, Heronbridge will use its judgment to determine whether a Client should receive no allocation or a smaller allocation of shares resulting from a given execution. In other situations, a larger allocation of shares may be made to a Client if, for example, an additional allocation is required to clear a Client's negative cash balances or to raise funds to satisfy future Client commitments.

### **Item 13. Review of Accounts**

#### **Reviews and Reviewers:**

All Funds, and where applicable, separate account investments are kept under daily review both for price and changes in fundamentals affecting the securities. All portfolios are reviewed weekly. The principal reviewers are Bevis Comer and Benoit Bouchaud (both investment managers). All reviewers are equally responsible for ensuring that accounts are maintained in line with Heronbridge's policies and are equally responsible for all accounts.

#### **Frequency of Regular Reports to Clients:**

Separate account clients receive a monthly valuation, a schedule of transactions and a performance statement for their portfolios. Unitholders receive a monthly participation report showing selected information about their investments in the commingled Fund directly from each Fund's fund administrator. Such reports are ordinarily distributed on or before the seventh business day of each calendar month. Unitholders also receive audited financial statements for the Funds on an annual basis. All Clients and Unitholders receive a written report directly from Heronbridge that describes the results achieved together with certain analytical information describing the Client's or Fund's (as applicable) holdings. This review is ordinarily included in a report provided by Heronbridge on a quarterly basis.

### **Item 14. Client and Unitholder Referrals and Other Compensation**

Heronbridge does not receive any compensation or other economic benefit from any non-Clients for providing investment management services nor compensates any persons for Client and/or Unitholder referrals.

### **Item 15. Custody Considerations**

Northern Trust acts as the custodian, fund administrator and custodial trustee for the Heronbridge Value Equity Fund. Unlike most privately offered collective investment funds which generally are organised as limited partnerships or limited liability companies, the Heronbridge Value Equity Fund is organised as a Delaware statutory trust. This type of fund calls for a specific custodial trustee and Delaware trustee to be appointed. With respect to this Fund, Northern Trust has been appointed as custodial trustee and an indirect wholly owned subsidiary of Northern Trust has been appointed as Delaware trustee. The Offshore Fund is an unregulated collective investment scheme that is legally structured as a Jersey Unit Trust. Northern Trust has been appointed as the custodian, Crestbridge Corporate Trustees Limited has been appointed as the trustee and Crestbridge Fund Administrators Limited has been appointed as the administrator of the Offshore Fund.

Heronbridge does not act as custodian for or hold any Client moneys or assets. Northern Trust is solely responsible for the custody and safekeeping of the Funds' assets, performs certain administrative functions for the Funds at the direction of Heronbridge in accordance with each Fund's governing documents and provides certain recordkeeping and accounting services to the Funds, including the calculation of the Net Asset Value of the Funds and its units on a monthly (or more frequent) basis and the distribution of valuation statements directly to the Unitholders. Heronbridge pays Northern Trust's fees related to the services Northern Trust performs on behalf of the Funds and the Unitholders. Northern Trust acts as the principal counterparty to the Funds' spot and forward currency contracts and provides certain foreign exchange calculation and trade services in accordance with various agreements with Heronbridge. Heronbridge does not require Northern Trust to provide collateral to support unrealized gains related to the Funds' currency contracts.

#### **Valuation of the Funds:**

Northern Trust acts as the custodian and performs certain administrative functions for the Funds. Northern Trust is responsible for independently valuing each Fund's assets. Equity securities are valued using the closing price reported by their primary stock exchange and translated into USD (with the exception of the Offshore Fund which is valued in Sterling and all securities and assets are translated into Sterling on a monthly basis as required) using exchange rates provided by WM/Reuters. These are the same prices and exchange rates used by major market indices such as MSCI. Forward currency contracts are valued using WM/Reuters exchange rates and adjusted to reflect the settlement period for the forward currency contract. Dividend and withholding tax accruals are valued at fair market value in accordance with GAAP.

The net asset value of the Funds and the calculation of the net asset value of each unit of the Funds are determined in U.S. Dollars for the US Fund and Sterling for the Offshore Fund by Northern Trust as of the last business day of each month. Heronbridge may require Northern Trust to value the Funds more frequently.

The "Net Asset Value" of each of the Funds equals the aggregate value of the units of each Fund. For these purposes, the Net Asset Value of a Fund equals the aggregate value of the assets of the Fund, less its total liabilities (including accrued liabilities, irrespective of whether such liabilities may in fact ever be paid). The Net Asset Value of a Fund is determined under the accrual method of accounting in accordance with U.S. generally accepted accounting principles for the US Fund and UK generally accepted accounting principles for the Offshore Fund. The net asset value of any units held by a Unitholder as of a valuation date is equal to the net asset value of the Fund as of a valuation date multiplied by the percentage interest corresponding to such Unitholder as of the valuation date. Northern Trust is required to independently assign valuations to portfolio investments for the purposes of determining the Net Asset Value of each of the Funds and the Net Asset Value of the unit of each Fund.

Securities which are listed or traded on any generally recognized securities exchange are valued at their closing price as is customarily ascertained by the respective primary exchange on which the security is traded and disseminated by quotation services such as WM/Reuters or Bloomberg or published in recognized newspapers such as The Wall Street Journal and the Financial Times. If no sale has been reported for that day or if the primary exchange was not open on that day, the last published sale price or the last recorded bid price, whichever is more recent, is used, unless Northern Trust believes the value obtained does not fairly indicate the actual market value. In these cases, Northern Trust may rely on a value provided from a reputable broker, investment banker or investment manager (including Heronbridge).

Securities traded only in the over-the-counter market are valued at the mid-point between the closing representative bid and asked prices as reported by such securities' reporting system. Other over-the-counter securities are valued at the mid-point between the last current bid and asked prices determined in accordance with quotations obtained from a reputable broker, investment banker or investment manager (including Heronbridge). Northern Trust may also use any other method of valuation which is or which

becomes generally accepted practice for valuing collective investment vehicles or which is or becomes permitted by the Codification of Financial Reporting Policies promulgated by the SEC or, for the Offshore Fund, other current financial reporting standards.

When determining the value of the Funds' securities, Northern Trust may rely upon reports printed in any newspaper of general circulation or in any other newspaper Northern Trust deems appropriate, or in any financial periodical or industry-recognized quotation service, or in the records of any securities exchange, as sufficient evidence of sale, bid and asked prices, and over-the-counter quotations.

Other securities or assets which otherwise cannot be valued under the preceding provisions are valued on the basis of data obtained from the best available sources, including employees of Northern Trust, brokers or dealers who deal in or are familiar with the type of investment involved or other qualified appraisers including Heronbridge, or by reference to the market value of similar investments for which a market value is readily ascertainable.

If, on the date as of which any valuation is being made, the exchange or market herein designated for the valuation of any given asset is not open for business, the valuation of such asset is determined as of the last preceding date on which such exchange or market was open for business.

Notwithstanding the foregoing, if the securities to be valued constitute a block that, in the judgment of Heronbridge, could not be liquidated in a reasonable time without depressing or inflating the market, or restrictions upon marketability exist with respect to such securities, Heronbridge may direct Northern Trust to assign securities a different value than that calculated above; provided that such block shall not be valued at a unit value in excess of the quoted market price of such securities. The foregoing valuations also may be modified by Heronbridge, with the consent of Northern Trust, in its sole discretion, if and to the extent Heronbridge shall determine that such modifications are advisable to reflect other factors affecting the value of assets (see details of the "challenge procedure" below).

Heronbridge reviews but cannot arbitrarily override Northern Trust's valuations. If Heronbridge believes that Northern Trust has mis-valued a given security, Northern Trust requires Heronbridge to follow an established 'challenge procedure'. Heronbridge provides a written letter of direction advising Northern Trust of the discrepancy and support for an alternate market price/exchange rates. Northern Trust will consider Heronbridge's challenge over the subsequent 24 hour period and compare the proposed price and/or exchange rate to other independent pricing sources and its own internal valuations. If Northern Trust determines that the proposed price and/or exchange rate is valid, Northern Trust will change the market price/exchange rate used in the valuation of the Funds' Net Asset Value. If the proposed price and/or exchange rate are not determined to be valid, the original price and/or exchange rate used in the valuation will stand unless Heronbridge issues a written letter of direction to the contrary. Because of the nature of the Funds' investments (publicly traded equities), pricing challenges are infrequent. No securities or other assets held in the commingled funds were subject to pricing challenges or pricing overrides in the current period.

When approved, Northern Trust is responsible for preparing the Fund participant reports and Unitholder statements. As with the Funds' valuations, Heronbridge reviews the reports prior to their transmittal to Unitholders. Once approved, the reports are sent directly by Northern Trust to the Unitholder. Heronbridge does not have any opportunity to 'alter' or 'adjust' Unitholders valuations.

#### **Item 16. Investment Discretion**

Heronbridge accepts discretionary authority to manage securities accounts on behalf of its Clients. Other than as specified by a Fund's investment guidelines or pursuant to the terms of a separate account investment management agreement, Heronbridge has sole authority to determine, without obtaining specific consent, the amount of and specific securities to be bought and sold for each Client.

**Error Correction Considerations:**

On rare occasions, an error may be made with respect to a Client transaction. For example, a security or other financial instrument may be erroneously purchased or sold, a Client account's investment restrictions may be inadvertently breached, or a security may be tendered in error as part of a corporate action. When it bears legal responsibility for correcting the error, Heronbridge seeks to place the Client in a substantially similar position as the Client would have been in had the error not occurred. In certain circumstances, Heronbridge may be required to obtain the consent of its insurers, regulators (which may include, but are not limited to the UK FCA, the SEC, and the US Department of Labor), an independent fiduciary acting on behalf of its Clients, and/or its Clients before resolving an error. Obtaining these consents or correcting the error may result in, among other items, delays in placing the Client in a substantially similar position as it would have been had the error not occurred, in the payment of compensatory amounts (these payments may, in certain circumstances, be paid over a period of years if Heronbridge has insufficient funds available to reimburse the impacted Client), and/or the suspension of the calculation of a Client's Net Asset Value.

**Item 17. Voting Client Securities**

Heronbridge considers it to be of paramount importance when assessing proxy voting responsibilities on behalf of its Clients to recognize the fiduciary responsibility it assumes in acting as investment manager. Heronbridge also recognizes the need to exercise its proxy voting obligations with a view to enhancing its Clients' long term investment values. Heronbridge believes that both are generally compatible with good corporate governance as they provide the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. To help achieve its objectives, it is Heronbridge's policy, subject to the considerations described below, to use its best efforts to vote proxies arising on all shares held on behalf of its Clients.

Standard issues typically arise at Annual General Meetings ("AGMs") or Ordinary General Meetings ("OGMs"). Standard issues may include items of a routine nature such as the presentation of financial statements to shareholders, approval of routine executive compensation or incentive plans, approval of financial statements by shareholders, election of directors and approval of director's fees, election of auditors and approval of audit fees, and declaration of dividends.

Material issues may arise at Extraordinary General Meetings ("EGMs"), Special General Meetings ("SGMs"), OGMs or AGMs. Material issues may include items that relate to corporate governance matters; changes in a company's country of incorporation; mergers and other corporate restructurings; anti-takeover provisions such as staggered boards, poison pills, or supermajority provisions; changes to capital structures including increases and decreases of capital and preferred stock issuance; material stock option, management compensation or incentive plan issues; and social and corporate responsibility considerations. Heronbridge also considers standard issues to be material issues when it has knowledge that a potential conflict of interest with management is present. These situations can arise where Heronbridge manages a portfolio company's retirement plan assets, a portfolio company or one of its affiliated entities is also a brokerage counterparty to a Client security or foreign currency transaction, or where the person responsible for overseeing investments at a client that is invested in one of Heronbridge's Client accounts is also a director or officer of a portfolio company that would materially benefit from any executive compensation or incentive scheme subject to shareholder vote. Please note, however, that Heronbridge may not be aware of the roles performed for portfolio companies by underlying Unitholders. Clients are requested to notify Heronbridge of any known affiliations with publicly traded companies that could fall within Heronbridge's investment universe. Clients are also requested to notify Heronbridge if they are actively involved in the financial services industry or affiliated or employed by an investment bank, broker dealer, custodian or asset management firm.

Northern Trust acts as the custodian of the Funds and holds all securities owned by the Funds for the benefit of their Unitholders. Northern Trust has outsourced certain of its proxy processing responsibilities to Institutional Shareholders Services ("ISS"), a leading provider of proxy voting and corporate

governance services. ISS principally provides Heronbridge with meeting notification and ballot delivery services, agenda summaries, detailed agenda content including original source documents and vote instruction processing services. Meeting notifications are provided according to an established service level agreement in place between Northern Trust and ISS and one in place between Northern Trust and Heronbridge. Heronbridge does not outsource any part of its proxy voting decision making process to ISS or Northern Trust. Longer term and temporary separate accounts Clients generally name their own custodians who may use a different provider of proxy processing services and may occasionally direct Heronbridge with respect to proxy voting issues.

Following receipt of proxy voting materials from the proxy processing services provider, staff of Heronbridge give a “Proxy Voting Summary Form” of the issues to one of Heronbridge’s portfolio managers for review. The form includes the details of the number of shares held by a Client a deadline for the response. If only standard issues are included on the proxy, one portfolio manager will decide on how to vote the proxy and sign the proxy voting summary form. If material issues are included, enhanced procedures apply. The first portfolio manager will discuss the issues with a second portfolio manager, assess the potential impact that the issues may have on the portfolio company, and decide on how to vote the proxy in question. Both portfolio managers will then sign the proxy voting summary form. Once approved, staff for Heronbridge will process the proxy vote electronically using each proxy processing services provider’s proprietary system.

In certain circumstances, Heronbridge may be unable to vote a specific proxy including (but not limited to) when Northern Trust or the proxy processing services provider does not provide a voting service in a given market, because Northern Trust’s agent, in error, does not process a proxy or provide sufficient notice of a vote, or because an error is committed by any party involved in the proxy voting or registration process. Heronbridge may also refrain from voting if, for example, it is considering liquidating a position (as shares may be blocked when proxies are submitted), where the costs of voting a specific proxy outweigh the economic benefit that Heronbridge believes would be derived by the Client, where a specific class of shares does not carry voting rights with respect to a given issue subject to shareholder vote, or where re-registration of the shares into the Client’s (rather than Northern Trust’s nominee) name may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact the Client’s economic interests.

Clients are advised that when voting proxies in certain international markets, Heronbridge may be constrained by certain country or portfolio company specific issues. For example, some companies in the portfolio impose voting caps on the maximum number of proxy votes that any single outside shareholder may control. Others require all board issues to be resolved by a show of hands, rather than a poll. As all of Heronbridge’s Client shares may be held by one nominee, these restrictions have the effect of substantially limiting the impact of any proxies cast. Furthermore, some companies in the portfolio may restrict investment managers (such as Heronbridge) from voting proxies where disclosures of Client holdings have not been made on a timely basis or in a format required under their articles of incorporation.

Additional information on Heronbridge’s proxy voting and corporate governance policies can be found in the Stewardship Code Statement on Heronbridge’s website ([www.heronbridge.com](http://www.heronbridge.com)). Clients may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting Heronbridge’s Client Services representatives and asking to be included on the quarterly proxy voting distribution list.

## **Item 18. Financial information**

Heronbridge does not require or solicit the prepayment of fees. In addition, Heronbridge is not under any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.

## **Heronbridge Investment Management LLP**

**Benoit Marie Thierry Bouchaud**

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SEC Number: 801-76855

CRD Number: 164314

26 February 2014

### **Form ADV Part 2 Brochure Supplement**

This brochure supplement provides information about Benoit Marie Thierry Bouchaud that supplements the Heronbridge Investment Management LLP (“Heronbridge”) brochure. You should have received a copy of that brochure. Please contact Heronbridge’s Chief Compliance Officer, Gordon Westwood, on +44 (0)1225 328301 or via email on [gordon@heronbridge.com](mailto:gordon@heronbridge.com) if you did not receive a copy of Heronbridge’s brochure or if you have any questions about the contents of this supplement. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), any other state or federal regulatory authority, any foreign regulatory authority or any self regulatory body.

## **Item 2. Educational Background and Business Experience**

Name: Benoit Marie Thierry Bouchaud  
Date of Birth: 1965

Education and Degree: (1) London School of Economics, UK  
BSc Honours Degree in Management Sciences

(2) Ecole Supérieure de Commerce de Paris, France  
MBA

Business Background: Heronbridge Investment Management LLP; 2005 to present  
Member of Executive Committee, Partner, Chairman and Chief Executive Officer

Heronbridge Limited; 2005 to present  
Director, Chairman

Silchester International Investors Ltd; 1996 to 2004  
Senior Partner

## **Item 3. Disciplinary Information**

Benoit Bouchaud has never been the subject of any legal or disciplinary events.

## **Item 4. Other Business Activities**

Benoit Bouchaud is not actively engaged in any other investment-related business, or any other business activities providing a substantial source of income or involving a substantial amount of time.

## **Item 5. Additional Compensation**

Benoit Bouchaud does not provide any other advisory services and, as such, does not receive any economic benefits from other advisory services.

## **Item 6. Supervision**

Benoit Bouchaud in his role as Chairman and Chief Executive of Heronbridge is supervised by Heronbridge's Executive Committee. Benoit Bouchaud in his role as an investor is supervised by Bevis Comer, Heronbridge's Chief Investment Officer. Bevis Comer can be contacted on +44 (0)1225 328305.

## **Heronbridge Investment Management LLP**

**William Bevis Comer**

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## **Item 2. Educational Background and Business Experience**

Name: William Bevis Comer  
Date of Birth: 1965

Education and Degree: (1) Southampton University, UK  
BSc Honours Degree in Accounting and Law

(2) Cambridge University, UK  
MPhil in Management Studies

Business Background: Heronbridge Investment Management LLP; 2005 to present  
Member of Executive Committee, Partner, Chief Investment Officer

Heronbridge Limited  
Director

Merrill Lynch Investment Managers; 1997 to 2004  
Director

## **Item 3. Disciplinary Information**

Bevis Comer has never been the subject of any legal or disciplinary events.

## **Item 4. Other Business Activities**

Bevis Comer is not actively engaged in any other investment-related business, or any other business activities providing a substantial source of income or involving a substantial amount of time.

## **Item 5. Additional Compensation**

Bevis Comer does not provide any other advisory services and, as such, does not receive any economic benefits from other advisory services.

## **Item 6. Supervision**

Bevis Comer in his role as Chief Investment Officer of Heronbridge is supervised by Benoit Bouchaud Heronbridge's Chief Executive. Benoit Bouchaud can be contacted on +44 (0)1225 328304.

# **Heronbridge Investment Management LLP**

**Nicholas Theocharopoulos**

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## **Form ADV Part 2 Brochure Supplement**

**This brochure supplement provides information about Nicholas Theocharopoulos that supplements the Heronbridge Investment Management LLP (“Heronbridge”) brochure. You should have received a copy of that brochure. Please contact Heronbridge’s Chief Compliance Officer, Gordon Westwood, on +44 (0)1225 328301 or via email on [gordon@heronbridge.com](mailto:gordon@heronbridge.com) if you did not receive a copy of Heronbridge’s brochure or if you have any questions about the contents of this supplement. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), any other state or federal regulatory authority, any foreign regulatory authority or any self regulatory body.**

## **Item 2. Educational Background and Business Experience**

Name: Nicholas Theocharopoulos  
Date of Birth: 1968

Education and Degree: Imperial College, London University, UK  
BSc Honours in Engineering

The Wharton School, University of Pennsylvania, US  
MBA

Stanford University, US  
MSc in Mechanical Engineering

Business Background: Heronbridge Investment Management LLP; 2008 to present  
Partner, Investment Manager

Goldman Sachs Asset Management, London; 1999-2007

## **Item 3. Disciplinary Information**

Nicholas Theocharopoulos has never been the subject of any legal or disciplinary events.

## **Item 4. Other Business Activities**

Nicholas Theocharopoulos is not actively engaged in any other investment-related business, or any other business activities providing a substantial source of income or involving a substantial amount of time.

## **Item 5. Additional Compensation**

Nicholas Theocharopoulos does not provide any other advisory services and, as such, does not receive any economic benefits from other advisory services.

## **Item 6. Supervision**

Nicholas Theocharopoulos in his role as an investor is supervised by Bevis Comer, Heronbridge's Chief Investment Officer. Bevis Comer can be contacted on +44 (0)1225 328305.