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This brochure, Form ADV Part 2, is dated December 30th, 2013

This brochure provides information about the qualifications and business practices of JOHCM (USA) Inc (“JOHCM USA”). If you have any questions about the contents of this brochure please contact:

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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 JOHCM USA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 — Material Changes**

This brochure (the “Brochure”), which is dated December 30th, 2013, replaces the previous version which was dated May 14<sup>th</sup>, 2013 and is largely unchanged. The minor changes made are to update data to our September 30<sup>th</sup>, 2013 year end

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## **Item 4 Advisory Business**

### ***A. JOHCM USA and the JOHCM Group***

JOHCM USA was established in early 2013 to provide a US-based presence for the long established J O Hambro Capital Management Group (“JOHCM Group”) of companies, which has serviced US clients from its London, UK Head Office since 2008. It is intended that JOHCM USA will be the home for a number of US-based investment teams and will provide local client servicing for US clients in support of the services to US clients that is already undertaken by its parent company in London.

JOHCM Group specializes in providing discretionary investment advisory services across a diverse range of equity strategies. The JOHCM Group generally offers its investment advisory services through pooled vehicles (or investment funds) and to clients that establish separately managed accounts. JOHCM Group’s origins in the mid-1990s were originally in specialist closed end equity investment vehicles. In 2001, JOHCM Group launched its first public equity strategies (UK Growth and Continental European).

JOHCM USA is a wholly owned subsidiary of J O Hambro Capital Management Limited (“JOHCM Ltd”), a company organized under the laws of the England & Wales and a member of the JOHCM Group. JOHCM Ltd is also registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) and provides investment advisory services similar to those provided by JOHCM USA to US institutional investors from its principal place of business in London, England. Further details on JOHCM Ltd are set out in its Form ADV, which can be located on the SEC’s website.

JOHCM Ltd is 100% owned by the holding company J O Hambro Capital Management Holdings Limited (“Holdings”). JOHCM USA, JOHCM Ltd, Holdings and JOHCM (Singapore) Pte Ltd comprise the JOHCM Group of Companies.

In 2011, Holdings and JOHCM Ltd were acquired by BT Investment Management Limited (“BTIM”) and are now indirectly wholly-owned subsidiaries of BTIM. BTIM is listed on the Australian Securities Exchange (ASX code: BTT) and manages AUD\$58.3 billion (as of September 30th, 2013) for investors. BTIM is majority owned by Westpac Banking Corporation (“Westpac”). Apart from the change in our ownership, the acquisition by BTIM did not result in any material changes to the JOHCM Group investment advisory business. JOHCM Group has been and remains an independently managed investment management boutique.

Funds under management and advice for JOHCM USA as at September 30<sup>th</sup>, 2013 were \$53.15 million with the adviser managing monies both on a discretionary basis and on a non-discretionary basis. Discretionary assets under management by JOHCM Group as at September 30<sup>th</sup>, 2013 were \$19.2 billion.

### ***B. JOHCM USA’s Advisory Services***

JOHCM USA currently provides advisory services in relation to one equity strategy (International Small Companies). When advising clients that are investment funds, the investment advice JOHCM USA provides to such funds is dependent on and limited to the investment objectives of the respective fund as set forth in the entity’s governing documents. Such investment advice is not based upon the individual needs of the investors in the fund. The information in this Brochure that describes or relates to the funds is qualified in its entirety by the offering documents of the respective entity. We also provide investment services to clients through separately managed accounts (or segregated mandates). When providing investment services to segregated mandates, we will generally tailor our advisory services to the individual needs of such clients, including any specific guidelines or restrictions such clients may request.

We do not participate in wrap fee programs.

Our parent company, JOHCM Ltd, currently manages equity funds through mandates in five equity asset classes; the UK, Europe, Asia, Global and Global Emerging Markets, which are offered to clients in a variety of countries worldwide through segregated mandates and in some countries, funds. These equity strategies cover UK, Pan and Continental Europe, Japan, Global (including or excluding US investment), Asian and Emerging Markets strategies. All of these strategies are described in greater detail in JOHCM Ltd's own Forms ADV which can be located on the SEC's website. Certain of these strategies have a scope of investment which overlap in part with the investment strategies advised upon by JOHCM USA. Where this is the case JOHCM USA will provide non-discretionary sub-advisory services to its parent company JOHCM Ltd with respect to the accounts for clients managed by JOHCM Ltd ("JOHCM Ltd clients"). JOHCM USA does not have discretionary authority to act as an investment manager for JOHCM Ltd clients, and all investment recommendations of JOHCM USA are subject to review and approval by JOHCM Ltd, which has full discretionary investment authority to determine and implement all investments for JOHCM Ltd clients. JOHCM USA does not have a direct contractual arrangement with any of these JOHCM Ltd clients and they do not pay fees to JOHCM USA.

JOHCM USA in addition to these advisory services provides investor relations and business development services to JOHCM Ltd.

### ***C. JOHCM USA's approach to investment advisory services***

JOHCM USA shares the long established guiding philosophies of the wider JOHCM Group – we offer an alternative to the large, traditional investment management firms that have dominated the market for many years. We hire "best in class" fund managers who are able to remain true to their own investment style. JOHCM Group has an excellent record of investment professional retention.

JOHCM Group, including JOHCM USA, has an entrepreneurial culture that aims to attract fund managers who have great confidence in their stock-picking skills. These are people who often have worked for major investment firms where they were bound to a corporate process, or restricted to core stock lists and set asset allocations. JOHCM Group's managers are free to invest - within agreed-upon portfolio construction criteria - where they choose.

JOHCM Group expects people to deploy their proven and individual talents to their full extent for the benefit of our investors.

JOHCM Group's culture is investment-led. JOHCM Group fund managers vet new hires and mutual respect is the driver behind their exchange of ideas. JOHCM Group is protective of investment integrity. Talented fund managers join the JOHCM Group because they recognize that JOHCM Group cares about protecting their performance records via capacity discipline and is active in aligning their interest with that of investors and the firm.

The definition of success for many investment houses is to attract the largest possible amount of assets both generally and specifically in each offered strategy. Every time JOHCM Group launches a strategy, the fund manager determines the maximum amount of money that he or she is prepared to run in that strategy (including any investment funds and segregated mandates). Once any strategy reaches its predetermined size limit, it is closed to new investors, giving the fund manager the conditions in which they can deliver and sustain outperformance and stay focused on the interests of the fund's investors.

Talented people, excellent research and hard work are every investment manager's stock in trade, but it requires more than just exceptional asset management skills to exceed benchmarks; it also takes a special environment where all the supporting conditions and incentives that fund managers need to outperform are in place - as indeed they are at JOHCM USA.

Unlike the larger investment houses, JOHCM USA's managers spend little time on management and marketing-related activities. Being heavily involved in such matters does little to engender

investment outperformance. By distancing managers from some of the peripheral activities associated with investment management and giving them the degree of scope and total support they need, JOHCM USA makes our managers accountable for the performance of the funds in their charge. Also, when fund managers have all they need to get results, they have no reason to move on and every reason to stay. All of the above coupled with our unceasing drive for outperformance, the self-imposed limits on strategy asset sizes and firmly committed fund managers, directly aligns our interests with those of our clients.

## Item 5 Fees and Compensation

We generally offer two fee structures for clients: (i) an advisory fee based on a percentage of assets under management (or “management fee”) or (ii) a lower management fee plus an incentive fee based on whether we outperform the relevant benchmark. Management fees are typically paid quarterly in arrears and incentive fees are paid annually. With respect to clients that are investment funds, we generally deduct our management and incentive fees directly from the fund after presenting an invoice for our services to the respective fund’s custodian for its review and approval. With respect to segregated account clients, we invoice those clients for our services. Those clients may choose to instruct the custodian for the account to pay our fees or such funds may pay our fees directly.

A representative fee schedule for institutional segregated accounts is provided below, although it is expected that, from time to time, the fee charged following negotiation may differ from the illustrations below depending on the country in which the client is located and the nature, circumstances and requirements of the individual client. The client agreement will provide details for the termination of the agreement which will be as agreed with individual investors for segregated accounts. The management fee is paid whether or not the account is profitable in a given quarter. The detailed investment management agreement with the individual client will specify whether fees are deducted from the client account or are payable separately.

<u>Value of client’s Account</u>	<u>Management Fee (No Incentive Fee)</u>	<u>Management Fee (15% Incentive Fee)</u>
First \$25 million	105 basis points	75 basis points
Next \$100 million	95 basis points	65 basis points
Thereafter	90 basis points	60 basis points

In the foregoing illustration, where the client has elected to pay an incentive fee on its advisory account, we will be entitled to receive a management fee plus a performance based fee equal to 15% of the Relative Performance (as defined below) of the client’s account. “Relative Performance” means the excess of the account’s performance over the performance of the applicable index (for instance, the index for an International Small Companies mandate will typically be the MSCI All Country World ex-US Small Cap Index calculated on a geometric basis, less any underperformance carry forward).

## Other Expenses

As is usual for institutional segregated mandates, the client portfolio will bear the actual transactions costs such as brokerage commission and transaction taxes. JOHCM USA does not provide custody services and these and the costs thereof are governed by the clients own arrangements. In the case of investment fund, investors in those funds also bear other fees and expenses, including administration, audit and legal expenses.

“Item 12 – Brokerage Practices” describes the factors that JOHCM USA considers in selecting or recommending broker-dealers for transactions and determining the reasonableness of their compensation (e.g., commissions).



## **Item 6 - Performance based Fees and Side-by-Side Management**

Mandates managed by JOHCM USA may include both those where remuneration is based solely on a percentage of net asset value and others where, in addition, there is a performance fee element. A representative fee schedule is detailed in Item 5 above.

For any particular strategy, the relevant investment management team will typically have a mixture of mandates with performance fees and some without. This has the potential for conflicts of interest including, for instance, trading for the different categories of account at different times or the unfair allocation of trades between performance fee and non-performance fee accounts. Performance-based fee arrangements may create an incentive for managers to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. JOHCM USA has implemented policies and procedure that are designed to address these potential conflicts of interest, including procedures for the fair allocation of trades and investment opportunities, be they buy or sell decisions or participation in IPOs or other corporate activities.

A fuller description of the types of conflicts that exist in our business and the procedures we have adopted to manage them is set out in Item 20 below.

**Item 7—Types of Clients**

JOHCM USA seeks to provide investment supervisory services on a segregated basis to US institutional investors, be they banks or thrift institutions; pension and profit sharing plans; trusts, estates or charitable organizations; or other corporate entities. The normal minimum size for such segregated accounts is \$75 million

We act as the sub-advisor to one mutual fund, the JOHCM International Small Cap Equity Fund, which is a series of the Advisers Investment Trust the lead investment advisor for which is JOHCM Ltd.

In its home markets in Europe, JOHCM Ltd acts as investment manager to UK and Irish domiciled open ended investment companies (UCITS funds) and to pension funds and charitable institutions in the USA, UK, Europe and elsewhere around the world.

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

### **Our Approach**

JOHCM USA follows the long established JOHCM Group approach and does not impose a house investment philosophy on our fund managers, but rather allows them to flourish in their own way. We offer them a chance to concentrate on pure fund management, by allowing them autonomy, accountability and ownership with strong operational support.

JOHCM Group built its business by hiring a series of investment teams from larger firms. These teams had developed their own investment philosophies within their former firms and each had generated an outstanding track record before joining JOHCM Group – this is the approach we are also adopting for JOHCM USA. Without centralized research or committees, fund managers may apply their own individual philosophy to the strategies they manage and make their own decisions, within pre-agreed portfolio construction criteria.

JOHCM Group offer a range of different equities investment strategies, those offered by JOHCM USA which are summarized below, those for JOHCM Ltd are summarized in that advisers Form ADV. This section concludes with risk factors which investors need to consider and details of our procedures for investment oversight.

### **Details of JOHCM USA Investment Strategies**

<b><i>International Equities</i></b>	<p><b>International Small Companies</b> <i>Managed by: Robert Cresci</i></p> <p><b>Investment philosophy</b></p> <p>The manager believes using a disciplined fundamental bottom-up research approach will generate profitable insights, resulting in a portfolio of high-quality, durable growth companies and superior risk-adjusted returns.</p> <p><b>Investment strategy</b></p> <p>The manager seeks to identify smaller companies that demonstrate the following positive characteristics:</p> <ul style="list-style-type: none"><li>• often niche players with little competition and high margins</li><li>• fast growing, flexible and responsive to change</li><li>• able to achieve incremental gains in market share</li><li>• success is strongly influenced by management</li></ul> <p>Key here from an investor’s perspective is that stocks are often inefficiently priced because there is relatively little analyst coverage</p>
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## **Risk Factors**

### *Investment Approach*

All investments of these strategies risk the loss of capital. No guarantee or representation is made that the investment approach utilized on behalf of these strategies will be successful.

### *Market Risks*

The trading and investment strategies utilized are subject to market risk. Certain general market conditions – for example, a reduction in the volatility or pricing inefficiencies of the markets in which the strategy is active – could materially reduce the strategy's profit potential.

### *Investments in Equity Securities*

Equity market risk is the risk that a particular stock, a fund, an industry, or stocks in general may fall in value. The value of your investment in the strategy will go up and down with the prices of the securities in which the strategy invests. The prices of stocks change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

### *Illiquidity in Certain Markets*

The strategy may invest in securities that later become illiquid or otherwise restricted. The strategy might only be able to liquidate these positions at disadvantageous prices, should the fund manager determine, or it becomes necessary, to do so. For example, substantial withdrawals from the strategy could require the strategy to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to fund the withdrawals. Illiquidity in certain markets could make it difficult for the strategy to liquidate positions on favorable terms, thereby resulting in losses or a decrease in the net asset value of the strategy.

### *International Investing*

Investing in securities of non-U.S. issuers, positions which generally are denominated in foreign currencies, and utilization of forward foreign currency contracts, involve both opportunities and risks not typically associated with investing in U.S. securities. These include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of exchanges, securities brokers and issuers of securities; difficulties in obtaining and enforcing a judgment against a foreign issuer; different accounting, auditing and financial reporting standards; different settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; imposition of foreign withholding and other taxes; and sometimes less advantageous legal, operational and financial protections

applicable to foreign sub-custodial arrangements. The cost of investing in securities of non-U.S. issuers can be higher than the cost of investing in U.S. securities. Investments in securities denominated in foreign currencies also involve the additional cost of converting currencies upon the purchase and sale of securities.

### *Emerging Markets*

The securities markets of emerging countries are substantially smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and other more developed countries. Disclosure and regulatory standards in many respects are less stringent than in the U.S. and other major markets. There also may be a lower level of monitoring and regulation of the markets and the activities of investors in certain less developed countries, and enforcement of existing regulations can be extremely limited. Emerging markets may have slower clearance and settlement procedures, higher transaction costs and investment restrictions that may restrict or delay trading. In addition, certain governments may require approval for, or otherwise restrict, the repatriation of investment income, capital or proceeds of sales of securities by foreign investors. War, governmental intervention, lack of capital, corruption, poor corporate management and limited resources are also common risks associated with investing in these markets. Sovereign debt may carry below investment grade credit ratings and be highly speculative. Defaults or restructurings of public and inter-bank indebtedness have occurred in several emerging markets, including Argentina, Brazil, Costa Rica, Ecuador, Indonesia, Malaysia, Mexico, Pakistan, Peru, Russia, South Korea, Vietnam, Thailand, Uruguay and Venezuela, as well as several African countries. There can be no assurance that foreign sovereign debt securities will not default or be subject to similar restructuring arrangements. Investments in securities of issuers located in emerging market countries can be more speculative than investments in securities of issuers located in developed countries and are subject to certain special risks. The political and economic structures in many of these countries may be in their infancy and developing rapidly, as such countries may lack the social, political and economic characteristics of more developed countries. Certain of these countries have in the past failed to recognize private property rights and have at times nationalized and expropriated the assets of private companies. Some countries have inhibited the conversion of their currency to another. The currencies of certain emerging market countries have experienced devaluations relative to the U.S. dollar, and future devaluations may adversely affect the value of assets valued in such currencies. Many emerging markets have experienced substantial, and in some periods, extremely high, rates of inflation for many years. Continued inflation may adversely affect the economics and securities markets of such countries. In addition, unanticipated political or social developments may affect the value of investments in these countries. The small size, limited trading volume and relative inexperience of the securities markets in these countries may make an investment in such countries illiquid and more volatile than investments in more developed countries, and the strategy may be required to establish special custodial or other arrangements before making investment decisions in these countries. There may be little financial or accounting information available with respect to issuers located in these countries, and it may be difficult as a result to assess the value or prospects of an investment in such issuers.

### *Foreign Custody Arrangements*

In addition to the general risks associated with international investing described above, maintaining assets in foreign countries involves generally higher costs and greater risks than those associated with similar U.S. investments, particularly in the case of assets maintained in less developed countries. The scope and range of custodial services offered in many foreign countries may be more limited than in the U.S. and, as a result, assets may be maintained with banks, brokers and other financial institutions offering more limited custody services, and possessing less experience, less developed procedures for safekeeping of assets, poorer capitalization, and greater risks of bankruptcy, insolvency and fraud, than would typically be the case in the U.S. Assets maintained in certain emerging foreign countries also may be subject to other types of risks that either are not present or less pronounced in the U.S. and other more established markets, including political and economic risks (including nationalization of foreign bank deposits or other assets, and poor political and economic infrastructure and stability), commercial and credit risks (including poorly developed and regulated banks and financial systems), liquidity risks (including restrictions on repatriation and convertibility of currencies), legal and regulatory risks (including risks relating to evolving and/or undeveloped legal systems and regulatory frameworks) and operational risks (including risks relating to maintenance of shareholder title, clearing and settlement procedures and market transparency).

### *Transactions on Non-U.S. Exchanges*

Transactions on non-U.S. exchanges are not regulated by U.S. governmental agencies, such as the SEC. Some non-U.S. exchanges, in contrast to exchanges in the United States, may be “principals markets” similar to 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 with whom the strategy enters into a transaction may in effect take the opposite side of trades made for the strategy. Because some non-U.S. exchanges generally lack a clearinghouse system such as that utilized by exchanges in the United States, market disruptions may be more likely to occur on non-U.S. exchanges.

### *Currency Risk*

The value of foreign securities is affected by changes in currency rates, foreign tax laws (including withholding tax), government policies (in this country or abroad), relations between nations and trading, settlement, custodial and other operational risks. An increase in the strength of the U.S. dollar relative to other currencies may cause the value of investments to decline. Certain foreign currencies may be particularly volatile, and foreign governments may intervene in the currency markets causing a decline in value or liquidity in foreign holdings, whose value is tied to the affected foreign currency. In addition, costs will be incurred in connection with conversions between various currencies.

### **Investment oversight**

Investment oversight of JOHCM Group’s different investment strategies is the principal role of the Group Investment Director, Sandy Black. Sandy is also responsible for the Central Group dealing desk, for ensuring that our clients achieve the best execution outcome and for getting the most out of counterparty relationships.

Sandy's responsibilities include:

- managing the regular quarterly risk, style and performance reviews with fund managers and
- ensuring that the appropriate investment infrastructure is in place to allow fund managers to focus on performance.

#### *Risk management philosophy*

JOHCM Group's philosophy is that fund managers should take the optimal amount of risk to meet their clients' long term performance objectives and that risk and style factors in each portfolio should be appropriately diversified. JOHCM Group's approach is not to discourage risk taking, but to make sure that risks taken are intentional, considered and not unduly concentrated.

#### *Risk management process*

It is the belief of JOHCM Group that no single risk system will provide all of the answers. As a result, the Group Investment Director and Head of Risk use a variety of measures of statistical risk, style analysis and decision-making consistency to provide a complete picture. These observations are formally monitored by the Group Investment Director in the quarterly portfolio review meeting specific to each strategy. They are regularly reviewed by the Investment Director and Head of Risk using a summary risk screen powered by Northfield Optimiser, and by using an exception reporting tool through Factset.

#### *Systems*

Our portfolio monitoring process, and the systems used for portfolio construction and risk monitoring, is detailed below.

#### Style and risk systems

Our principal tool for style and risk monitoring of portfolios is Style Research™. This provides aggregate measures of risk such as tracking error, beta and volatility and allows for a detailed decomposition of risk

The investment risk oversight monitors value metrics such as yield, price/book value and price/sales ratios also considers growth characteristics such as historical earnings growth, return on equity and estimated earnings revisions. All of these are shown in standardized form versus the benchmark. In addition, two further style checks are used. One is a macro factor sensitivity model, Citigroup's Global Risk Attribute Model, which checks the influence on portfolios of variables such as economic growth, interest rates, the oil price and commodity prices. The other, from Analytics, provides an analysis of decision-making and trading patterns in each portfolio.

When analyzing the risk and style characteristics of portfolios no single system will provide all of the answers. Without wishing to introduce unnecessary complexity, we are always looking for new ways of understanding the behavior of clients' portfolios in order to improve performance. Style Research™, Citigroup and Analytics outputs are analyzed by the Investment Director as part of his investment oversight role.

#### Performance measurement

The Performance team produces detailed performance attribution reports, at the stock, sector and country level, using StatPro Performance & Attribution software. Attributions are run over a variety of time periods and circulated to the investment teams, Investment Director and relevant sales, marketing and client servicing personnel.

#### *Investment guideline and restriction monitoring*

In addition to this “investment oversight” our Group Compliance team, based in our Group headquarters in London, monitor compliance with formal investment restrictions be they those prescribed by the regulations applicable to a particular fund e.g. 40 Act rules, or the particular restrictions agreed with a segregated client and included in the written agreement with that client. This monitoring includes all mandates managed by JOHCM USA. These restrictions are coded into the order management system which is a common system (Bloomberg’s AIM system) used by the Company and the rest of the JOHCM Group. They run on both a pre and a post trade basis and provide an alert to the order originator and to the Group Compliance team of potential violations. All alerts are followed up by Compliance on a daily basis.



**Item 9 - Disciplinary Information**

There are no legal, regulatory or disciplinary events which are material to a client's or prospective client's evaluation of the JOHCM USA business or the integrity of JOHCM USA management.

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

JOHCM Group's sole business activity is investment management

JOHCM USA is a wholly owned subsidiary of JOHCM Ltd, a company organized under the laws of the England & Wales. JOHCM Ltd is authorized and regulated by the UK Financial Conduct Authority and is also registered as an investment adviser with the SEC and provides similar investment advisory services to US institutional investors from its principal place of business in London, England. Further details on JOHCM Ltd are set out in its Form ADV, which is available on the SEC's website.

JOHCM USA makes use of a number of common systems and control mechanisms operated by its parent company, JOHCM Ltd in London. These include fund management decision support tools and order management systems, the execution of trades by the Group Central Dealing Desk, Middle and Back Office support coordinated by the team at JOHCM Ltd in London. Oversight and further control is exercised both in relation to investment risk by the Group Investment Director (as described in item 8 above) and also by the Group Compliance team, the head of which also acts as Chief Compliance Officer for JOHCM USA and oversees the compliance policies and procedures adopted by JOHCM USA

JOHCM Ltd is a wholly owned, but independently managed, subsidiary of BTIM, a leading Australian fund manager, based in Sydney. It operates a boutique model across a broad range of investment products including Australian equities, fixed income and cash. BTIM is listed on the Australian Stock Exchange, having been floated in December 2007. As of September 30th, 2013 BTIM had assets under management totaling AUD\$ 58.3 billion.

BTIM is an independently managed business whose largest shareholder, who owns 60% of the shares, is Westpac Banking Corporation (Westpac). Westpac, which was Australia's first bank and company, is now a diversified banking and financial services group with branches and controlled entities throughout Australia, New Zealand and the near Pacific region and it maintains offices in key financial centers around the world including London, New York, Hong Kong and Singapore.

Please see Item 20 for a further discussion of our relationship with our affiliate and how any conflicts of interests are addressed.

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

Subject to the personal trading rules described in further detail below, employees may personally invest in the same securities that are recommended to clients and they may own securities of issuers whose securities are subsequently recommended to clients. Employees may buy or sell a specific security for their own account based on personal investment considerations, which they do not deem appropriate to buy or sell for a particular client or clients. This presents potential conflicts of interest and the risk that our personnel may put their personal interests ahead of our clients' interests. We mitigate this risk and these conflicts through our personal trading rules, which are part of our code of ethics and generally described below.

All employees of the JOHCM Group, including all employees of JOHCM USA and other persons who provide services to JOHCM USA, are subject to a common set of Personal Trading Rules ("Code of Ethics"). The content of these comply with the requirements applicable to investment advisers registered under the US Investment Advisers Act 1940, as amended.

The main elements of our rules in this area are:

1. Compliance with the personal trading rules is part of the individual's contract of employment.
2. Prior approval for all trades must be sought from the compliance officer (subject to certain industry standard exemptions, e.g., open ended funds not managed by the JOHCM Group).
3. Trading not permitted where such trading would be on the basis of insider information or might be considered market abuse.
4. Trading not permitted where such trading would conflict with client trade activity.
5. Copy contract notes must be provided to compliance for all executed trades.
6. Individuals confirm compliance and details of all trades to compliance every 3 months.
7. Details of all personal holdings provided to Group Compliance annually.

A copy of our Code of Ethics is available on request.

## **Item 12 — Brokerage Practices**

### **JOHCM GROUP ORDER EXECUTION ARRANGEMENTS**

JOHCM USA aims to take all reasonable steps to obtain, when executing orders, the best possible results for our clients (“best execution”). Our approach is summarized in our “Order Execution Policy,” which is set out below.

#### **Order Execution – Context**

Various entities within the JOHCM Group, including JOHCM USA, are discretionary managers and the investment management agreements with our clients in almost all cases give full discretion to the designated fund managers to make investment decisions on behalf of the particular client portfolio, subject to the investment restrictions stipulated in the investment management agreements.

The execution of the fund managers’ investment decisions, regardless of the location from which decisions were made, is made through our central trading desk based in London, England, which is staffed by full time dealing professionals. We believe that this separation between fund management decisions and executions means that our fund managers can concentrate on idea generation and portfolio construction while our execution specialists are dedicated to adding value through execution. This separation also provides built-in control in securing best execution and quality of execution for our clients’ portfolios.

#### **Order Execution – Obtaining the best possible result**

JOHCM USA’s aims to satisfy its “best execution” obligations to our clients by taking all reasonable steps to obtain the best possible result taking into account the execution factors (defined below). The relative importance of these factors must be determined by reference to the execution criteria (defined below) and to the requirement to determine the best possible result in terms of the total consideration.

#### **Execution Factors**

The “execution factors” are defined as

- Price
- Costs
- Speed
- Likelihood of execution and settlement
- Size
- Nature of the order
- Any other relevant considerations

Price will normally be the most important criterion for us but the relative importance of these other factors is discussed in the section entitled “Order Execution – Selection Process” below.

## **Execution Criteria**

In executing orders we take into account the following execution criteria in determining the relative importance of the execution factors:

- The characteristics of the client including classification as professional or retail
- The characteristics of the client order
- What type of financial instruments are involved
- The characteristics of the possible execution venues (discussed below) to which the order may be directed

## **Order Execution – Selection Processes**

### ***Execution venues and methods***

The centralized trading desk makes use of a range of execution venues and methods that will vary reflecting the circumstances of specific orders received from the fund managers.

The majority of business is in equities and is transacted on the stock exchange that is the primary listing for the security in question on an agency basis using approved brokers. We will also occasionally execute direct with an “approved broker” on a principal basis in which case the broker would be the execution venue. Program trades may be utilized where major inflows or outflows into a portfolio occur. In addition, the dealing desk seeks natural sources of liquidity using “Indications of Interest” on electronic communication networks such as Bloomberg, email and telephone conversations with our dealing counterparties and via crossing networks such as ITG. The dealing desk may also take direct control of some orders utilizing electronic Direct Market Access (‘DMA’).

We believe that this choice of execution venues and the strategy selection set out below enables us to obtain on a consistent basis the best possible result for the execution of client orders.

### ***Strategy selection***

The strategy chosen for executing each order is decided primarily by reference to the market liquidity of the security relative to the size of the order to be executed. Our dealers have discretion in executing orders but there is a strong interaction with the fund managers in discussing proposed approaches to strategy and broker selection. Orders where liquidity is not an issue (e.g., larger FTSE100 or S&P 500 stocks) will be executed shortly after the fund management decision. Exceptions to this would be limit orders at prices away from the current market level, transactions linked to offsetting orders in less liquid securities or a deliberate decision made by either the fund manager or dealer to stage the implementation of the order over a longer period of time. In circumstances where the size of the order precludes immediate execution the dealing desk manages the total executions so that market impact is minimized.

Where permitted by applicable law and where the Central Dealing Desk believes that the

purchase or sale of a securities is in the best interest of more than one client of JOHCM Group, we may (but are not required to) combine orders for different clients' accounts for execution as a batch or block trade. Aggregation of orders under these circumstances should, on average, decrease the cost of execution. Because of prevailing trading activity, it frequently is not possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may in JOHCM Group's sole discretion be averaged and accounts will be charged or credited with the average price. In such cases, each client that participates in the aggregated transaction will share transaction costs on a pro rata basis based upon each client's participation in the transactions. The effect of aggregation may operate on some occasions to a client account's advantage or disadvantage.

### ***Broker selection***

Transactions may only be made with pre-approved counterparties. Changes to this approved broker list, which is maintained on a JOHCM Group-wide basis by the Group Compliance Team, are proposed by individual fund managers and dealers. As part of the internal approval process we review the latest report and accounts of the proposed counterparty and broker exposure limits are allocated based on the capital backing of the proposed broker. All brokers are reviewed on an annual basis following receipt of their latest annual accounts. Changes to approved brokers and approved limits are reviewed by the JOHCM Group Risk Committee.

The broker list comprises a mixture of large integrated investment banks and smaller country specific or niche firms. The smaller firms are used for research expertise, access to smaller and mid cap companies, and execution in particular exchanges or securities. The large firms provide a full service including research, principal trading, DMA and algorithmic trading systems.

It is at the core of the JOHCM Group philosophy that portfolios are run by individuals not committees and this extends to broker selection. Therefore, the amount of commission paid to any broker is the result of the accumulation of individual decisions rather than a target set by a committee. Each fund manager can choose how much and to whom their research spend accrues. There is a quarterly review of commission costs which involves the fund managers, the Group Investment Director and Head of Dealing.

### **Review of the Order Execution Policy**

Our overall aim is to ensure that our execution policy will continue to provide for the best possible result for our clients. We will continue to monitor the effectiveness of our order execution arrangements and policy on a regular basis and in any event at least annually. Where necessary following these reviews, JOHCM Group will amend its policy and where these are material changes will notify clients of those changes. This review of the order execution policy has three main streams:

#### ***Execution venue review***

JOHCM Group and JOHCM USA will continue to keep up to date with new execution venues being developed and will assess whether they are suitable sources of liquidity to assist us in the

execution of our client orders.

### ***Broker Review***

JOHCM Group will manage those significant broker relationships which account for the majority of the commission paid by our clients via semi-annual review meetings. Our aim is to ensure that the service provided by the approved brokers is of the highest quality and that the commission is being used to purchase services, be they execution or research, which adds value to the management of our clients' portfolios. The levels of commission rates also vary depending on markets and exchanges and the nature of transactions.

### ***Execution Quality Monitoring***

The separation of responsibilities between fund manager and Central Trading Desk acts as a natural control over the quality of execution. We undertake monitoring checks on a quantitative and qualitative basis to assist in our review of the quality of executions post trade and will take appropriate remedial action where necessary. We use specialist advisers, Abel Noser, to review transaction costs.

### **Effect of Client Instructions**

Any specific instructions which JOHCM USA might receive from you, the client, may prevent us from taking the steps that we have designed and implemented in our execution policy to obtain the best possible result for the execution of orders and may cause increased costs and expenses for the client.

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JOHCM Group may affect transactions with or through the agency of another person with whom it has arrangements under which that party will from time to time provide to or procure for JOHCM Group goods, services or other benefits, such as research and advisory services, the nature of which must be such that their provision will assist in the provision of investment services to clients and for which no direct payment is made but instead JOHCM Group undertakes to place business with that party. Any such arrangements shall provide for best execution. Such arrangements, however, will not fall outside of the safe harbor for fiduciaries' use of soft dollar payments established by Section 28(e) of the Securities Exchange Act of 1934, as amended (the "1934 Act").

Neither JOHCM USA or JOHCM Group will retain the benefit of any commission rebate (being repayment of a cash commission made by a broker or dealer to JOHCM Group or JOHCM USA) paid or payable from any such broker or dealer in respect of any business placed with such broker or dealer by JOHCM Group for or on behalf of a client. Any such commission rebate received from any such broker or dealer will be paid to the client without delay by JOHCM Group.

### **Item 13- Review of Accounts**

Client portfolios are subject to frequent review by the fund manager responsible for the individual account. They are assisted in ensuring compliance with the investment restrictions contained in the client agreement by automated pre and post trade checking of those restrictions which are coded into our order management system, Bloomberg AIM. These provide an alert to the fund manager and / or the dealer of potential violations. The system also provides a notification to compliance of these intraday items and an overnight re-evaluation of the restrictions to reflect end of day valuations. All exceptions and alerts are followed up on a daily basis by our Compliance team.

All portfolios are also subject to JOHCM USA's investment oversight procedures, the details of which are summarized in Item 8, above.

#### Client reporting

Through our “all-weather” client servicing platform, we aim to provide best of breed client servicing to our institutional client base. The goal of what we do is to not only deliver timely and accurate client reporting but also to be seen as a trusted advisor to our clients.

We offer all of our clients the opportunity to speak to our fund managers on a quarterly basis via conference call and to participate in annual one-to-one meetings. We make extensive use of our internet site, where the majority of information can be easily accessed and downloaded.

In addition, our Client Service team is always available to respond to day to day queries.



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

The only source of compensation for JOHCM USA are the client fees JOHCM USA receives for the investment management services it provides, as described in this brochure. The Registrant currently does not provide compensation for client referrals.

**Item 15 — Custody**

Custody of the assets and cash in client portfolios managed and advised by JOHCM USA is always the responsibility of independent third party custodians who are appointed by the individual client or fund entity.

## **Item 16 — Investment Discretion**

JOHCM USA has discretionary authority to manage accounts on behalf of its clients or those delegated to it by its parent company, JOHCM Ltd, on behalf of JOHCM Ltd's clients. The scope and limits on this discretionary authority are laid down in written investment management agreements agreed with clients before the mandate is established and which are subject to regular review.

We endeavor to ensure that all mandates for a particular strategy have similar limits on authority to ensure, as far as is possible, having regard to individual client wishes, that each investment team manages all the monies which are entrusted to them in a similar style.

Our preference is that all clients of the JOHCM Group contract with JOHCM Ltd, our UK based parent company, and that the investment management services for the particular client would then be delegated to the relevant subsidiary within which the investment team is located. For instance, where a US client wishes to have a mandate managed according to the International Small Companies strategy run by Robert Cresci of JOHCM USA, we would propose that the written investment management agreement would be drawn up with JOHCM Ltd and investment management decisions delegated to JOHCM USA.

## **Item 17 - Voting Client Securities**

JOHCM USA may have the authority from time to time to vote the proxies of its clients. JOHCM USA has established procedures to ensure that all proxies that are received are properly distributed and taken care of on a timely basis. After careful analysis, a voting decision is made by the fund manager for the particular account and an authorized individual will submit the proxy vote. Once the proxy has been voted, it will be recorded and stored. These records will contain the proxy statements received on behalf of the client, the record of votes cast on behalf of the client, any documents prepared by the adviser that were material to making a decision on how to vote, or that memorialized the basis for the decision, and records of the client's requests for proxy voting information and any written response.

JOHCM USA understands the importance of voting proxies and will seek in all cases to vote proxies in the best interest of its client. Should a conflict of interest arise between JOHCM USA's interests and those of a client, JOHCM USA will arrange a discussion with such client to review the proxy voting materials and the conflict and will obtain the client's consent before voting. If JOHCM USA is not able to obtain the client's consent, JOHCM USA shall take reasonable steps to ensure, and must be able to demonstrate that those steps resulted in a decision to vote the proxies in the best interests of the client.

Clients may obtain a copy of our proxy voting policy or information regarding this proxy voting policy, including how JOHCM USA voted on specific proxies.

## **Item 18 — Financial Information**

JOHCM USA does not require prepayment of fees for its investment management services and does not have financial commitments that impair its ability to meet contractual or fiduciary duties to its clients. Accordingly there is no requirement to disclose financial information about the firm in this brochure.

**Item 19 — Requirements for State-Registered Advisers**

Not Applicable.

## **Item 20 — Conflicts of Interest**

The summary below sets out the types of Conflicts of Interest which may arise within JOHCM USA and the way in which they are managed.

### **General**

JOHCM USA and its UK-based parent company, JOHCM Ltd act as discretionary investment manager for a number of separate public funds and segregated institutional accounts. The investment mandates for these clients are such that a particular investment will be suitable for inclusion in a number of different portfolios.

Each portfolio is managed by a named senior fund manager and deputy. It is a key part of JOHCM Group's investment philosophy that these investment teams have the freedom, subject to agreed mandate restrictions, to make their own investment decisions.

Subject to any particular size or other constraints such as risk appetite contained in client mandates the proposed participation in an investment will be in proportion to the relative size of the portfolios managed by that investment team. However a different investment team may make different decisions or make similar decisions at different times in respect of the same investment.

### **Ownership and Group Relationships**

JOHCM USA is a wholly owned subsidiary of JOHCM Ltd. JOHCM USA makes use of a number of group wide services, including trade execution, middle office functions, investment oversight and compliance oversight. In this way the fund managers employed by JOHCM USA operate and support their clients in exactly the same way as their colleagues employed by JOHCM Ltd in London. No conflicts arise from these basic arrangements which are designed to provide a quality service to our clients.

JOHCM Ltd is itself a wholly owned subsidiary of BTIM, an Australian listed investment management group, headquartered in Sydney, Australia, which is itself majority owned by Westpac, a diverse banking and financial services group also Australian listed and headquartered in Sydney, Australia. JOHCM Group operates as a stand-alone boutique within the BTIM Group. Neither JOHCM USA nor JOHCM Ltd transacts any business for clients with either of these affiliates or with any other subsidiary undertakings of the wider Westpac group. No conflicts thus arise from our ownership structure.

### **Basis of remuneration**

The basis of JOHCM USA's remuneration, which is recorded in the investment management agreements with individual clients, may be different for different types of client portfolios. The percentage rate for the annual management charge is not the same for all accounts and in many cases, there will also be a performance fee payable which may be calculated on differing bases for different types of portfolios e.g. pooled fund or segregated.

The remuneration of the individual fund managers is a combination of some or all of a salary, a share of performance fees earned by the firm from the portfolios they manage or the bonus pool of the particular business unit, and that which derives from their equity interest in JOHCM Group.

The remuneration of individual group employees is overseen by the Group Remuneration Committee.

### **Confidentiality of Information**

JOHCM Group operates a “need to know” approach and complies with all applicable laws in respect of the handling of confidential and price sensitive information in relation to its clients and their investment portfolios. Whilst the group is too small to operate any formal Chinese wall arrangements, access to confidential information is restricted to those who have a proper requirement for the information consistent with the legitimate interest of the client or the relevant part of the JOHCM Group.

### **Inside Information**

If employees are in receipt of inside information, JOHCM Group’s policy requires that staff report it to Group Compliance which will result in an embargo on further trading in the securities of the relevant company.

### **Employee Personal Dealing**

All employees are subject to JOHCM Group’s Employee Dealing Rules which places clear parameters on how and when they may deal in securities for their own account and their immediate family and include regular reporting of personal transactions and holdings.

### **Gifts & Entertainment**

The giving and receiving of gifts or entertainment are subject to JOHCM Group’s policy to ensure that staff do not offer or give, solicit or accepts either in the course of normal business any inducement which is likely to conflict with any duties.

### **Disclosure**

In certain circumstances, where a conflict of interest remains, we will seek the relevant client’s consent to allow us to act ensuring that the client has enough information to allow it to make an informed decision.

### **Declining to Act**

Where we consider we are not able to manage the conflict in any other way, we may decline to act for you.