

Johnston Asset Management Corporation

Part 2A for Form ADV

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This brochure provides information about the qualifications and business practices of Johnston Asset Management Corporation. If you have any questions about the contents of this brochure, please contact us at (203) 324-4722. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Johnston Asset Management is also available on the SEC's website at www.adviserinfo.sec.gov.

Johnston is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.

Item 2: Material Changes

The following material changes are reflected in this Brochure:

Item 4B – The securities permitted to be held in Johnston’s International ADR portfolios has been expanded to include U.S. traded common shares of Non-US issuers.

Item 4D – The accounts which were previously included in a wrap program for which Johnston served as portfolio manager have been closed. Johnston is not accepting any new wrap program business.

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Item 4: Advisory Business

- A. Johnston was established in 1985 by Richard Johnston, and has managed equity assets since inception. Richard was previously Senior Vice President and Director of Eberstadt Asset Management (“Eberstadt”). When Eberstadt was sold, Richard established Johnston Asset Management, beginning with two of his long-term clients, who are still clients today.

In 1997, Cassandra Hardman joined as Head of International and Global strategies. Cassandra was previously Managing Director and Principal of PCM International, an affiliate of the Prudential Insurance Company, where she managed international equities for institutional accounts. She has spent more than 25 years focused on international equity markets. The firm’s growth has continued and today it has five (5) portfolio managers responsible for managing client assets.

The firm follows the same investment philosophy and process for all strategies. The firm believes that shares of high quality, market leading companies that can grow their earnings faster than the average company should outperform the broader market over time. Furthermore, when those shares can be purchased at an attractive price, they offer the greatest potential for capital appreciation and downside protection.

The firm is independent and 100% employee-owned. It believes this structure creates the best possible alignment with the client’s goals and objectives.

- B. Johnston offers investments in four (4) different products:

International – This includes a fully discretionary equity portfolio that includes ordinary shares of Non-US issuers, US traded common shares of Non-US issuers and ADRs or a U.S. traded only portfolio of ADR and US traded Non-US issuer names only. This product is offered in separate account form, as a limited partnership and a Group Trust. Our commingled accounts may include the use of defensive forward currency hedging
Large Cap Equity- This is a domestic equity product with a range of 45 to 55 equities, including ADRs. This product is offered as a separate account only.

Growth Equity – This is a more concentrated domestic product of 30 to 35 securities including ADRs. The growth product is offered as a separate account or as a participant in our LP for accredited investors.

Global – This equity product invests in US and Non-US equity issues and ADRs. An investor can participate through a separately managed account or, if qualified, as a participant of our Group Trust.

- C. While we prefer to invest client assets in line with a model portfolio, we will tailor portfolios to the needs of a client including, but not limited to, accepting some investment restrictions, if needed. For our high net worth clients for whom we knowingly manage the entirety of their investable assets, we may further tailor their portfolio to reflect their expressed financial goals and objectives.
- D. At this time, we are no longer accepting wrap business.
- E. All of Johnston's accounts are discretionary. As of December 31, 2014, Johnston managed \$4.1 billion on a discretionary basis.

Item 5: Fees and Compensation

A. Fee Schedules

1. International Strategy

Separate Account Standard fee schedule:

First \$10 Million AUM – 0.85%
Next \$15 Million AUM – 0.75%
Next \$25 Million AUM – 0.65%
Any balance over \$50 Million AUM – 0.60%

Johnston International Equity Fund I, LP standard fee schedule:

As compensation for the performance of advisory and administrative services to the Fund, the General Partner receives a management fee in the amount of 1.00% per annum of the Fund's average net assets, payable quarterly in arrears.

Johnston International Equity Fund II, LP standard fee schedule:

As compensation for the performance of advisory and administrative services to the Fund, the General Partner receives a management fee in the amount of:

First \$10 Million AUM – 1.00%
Next \$15 Million AUM – 0.90%
Next \$25 Million AUM – 0.80%
Any balance over \$50 Million AUM – 0.70%

These fees include custody fees.

Johnston International Equity Group Trust I fee schedule:

The Fund shall pay a fee to the Investment Manager, payable quarterly in arrears in the amount of:

First \$10 Million AUM – 0.90%
Next \$15 Million AUM – 0.80%
Next \$25 Million AUM – 0.70%
Any balance over \$50 Million AUM – 0.60%

These fees include custody and trust fees.

2. Global Strategy

Separate Account Standard fee schedule

First \$10 Million AUM – 0.85%
Next \$15 Million AUM – 0.75%
Next \$25 Million AUM – 0.65%
Any balance over \$50 Million AUM – 0.60%

Johnston Global Equity Fund fee schedule:

The Fund shall pay a fee to the Investment Manager, payable quarterly in arrears in the amount of one percent (1%) per annum of the average quarter end value of the assets of the Fund.

First \$10 Million AUM – 0.90%
Next \$15 Million AUM – 0.80%
Next \$25 Million AUM – 0.70%
Any balance over \$50 Million AUM – 0.65%

These fees include custody and trust fees

3. Large Cap Growth Equity

Separate Account Standard fee schedule:

First \$10 Million AUM – 0.80%
Next \$15 Million AUM – 0.75%
Any balance over \$25 Million – 0.55%

Johnston Capital Partners Fund I, L.P. fee schedule:

As compensation for the performance of advisory services to the Fund, the General Partner receives a quarterly fee in the amount of 0.3125% of each account's net asset value up to \$1,000,000 at the end of each calendar quarter (1.25% per annum) and 0.25% of each account's net asset value over \$1,000,000 at the end of each calendar quarter (1.0% per annum).

4. Large Cap Core_Equity

Separate Account Standard fee schedule:

First \$10 Million AUM – 0.75%

Next \$15 Million AUM – 0.65%

Any balance over \$25 Million – 0.50%

Johnston does not impose a minimum annual fee. However, we do have a minimum account size for our separately managed accounts (regardless of product) of \$10 million. Our commingled products will accept smaller account sizes.

Johnston has waived fees for employees and family members invested in our commingled accounts. In addition, Johnston reserves the right to waive or negotiate fees or its minimum account requirement for clients based on size or an existing relationship.

- B. For our separately managed account, Johnston charges fees quarterly in arrears based on the account value at the end of the prior quarter. Most clients authorize Johnston to deduct fees automatically from their custodial accounts, but clients may request that Johnston send quarterly invoices to be paid by check or bank wire. Our international and global commingled fund charge fees based on the average of the starting and ending market values.

If the client terminates the investment management agreement with Johnston in the middle of a billing period, we will invoice the client pro-rate based on termination date. If a client contributes or withdraws more than 10% of the account value during a quarter, Johnston will prorate the fees on the contribution or withdrawal. Contributions of less than 10% of client assets are not prorated and will be reflected in Johnston's fee calculation for the entire quarter. If a withdrawal is less than 10%, the value of the account is simply based on the ending value after the withdrawal.

- C. All portfolios incur brokerage and other transaction costs. Please refer to Item 12 for Brokerage Practices. For separately managed accounts, clients engage and pay for the

services of the custodian directly. For its commingled products, Johnston absorbs the custodial costs.

Johnston International Equity Fund I, LP – The Fund will bear its own taxes.

Johnston International Equity Fund II, LP - The Fund will bear its own taxes.

Johnston Global Equity Fund – The Fund shall reimburse the Investment Manager and the Trustee for all reasonable expenses incurred by the Investment Manager and the Trustee in connection with the performance of their duties under the Trust Agreement (including fees for legal and auditing services rendered to the fund), extraordinary expenses including litigation expenses, and all taxes levied or assessed in respect of the Fund or the income thereof.

Johnston International Equity Group Trust I – The Fund shall pay the Trustee and any sub-custodians fees that are negotiated from time to time by the Investment Manager on behalf of the Trust.

The Fund shall reimburse the Investment Manager and the Trustee for all reasonable expense incurred by the Investment Manager and the Trustee in connection with the performance of their duties under the Trust Agreement (including fees for legal and auditing services rendered to the Fund), extraordinary expenses including litigation expenses, and all taxes levied or assessed in respect of the Fund or the income thereof.

Johnston Capital Partners Fund I, LP – The General Partner also bears all expenses related to the administration of the Fund (the “Administrative Expenses”), except for compensation to professionals for performing legal and accounting services for the Fund. The Fund also bears its taxes and such other expenses that the General Partner reasonably determines should not properly be considered Administrative Expenses of the Fund.

- D. Johnston does not have clients that must pay fees in advance.
- E. Neither Johnston nor any of its supervised persons accepts compensation for the sale of securities.

Item 6: Performance Based Fees and Side by Side Management

Johnston does not charge any performance-based fees.

Item 7: Types of Clients

Johnston primarily provides customized investment management services to institutions, such as pension and profit sharing plans, foundations and public accounts, as well as high net worth individuals and their associated trusts, estates, and other legal entities.

Johnston's current separately managed minimum account size is \$10,000,000. Johnston reserves the right to accept accounts of smaller size at its discretion.

Item 8: Methods of Analysis, Investment Strategy and Risk of Loss

A. Johnston believes that stock selection is the key to successful investment performance. The Firm believes that shares of high quality, market leading companies, that can sustainably grow their earnings faster than the average company, should outperform the broader market over time. Furthermore, the Firm believes that when such stocks are purchased at an attractive price relative to their future earnings growth, they have the greatest potential for capital appreciation while also providing downside protection in difficult market environments. Thus, Johnston buys great, growing businesses when they are "on sale".

To qualify for investment, new ideas must meet all of the Firm's stringent hurdles of (1) secular growth, (2) quality, (3) leadership and (4) value. This results in the Firm focusing on a relatively small set of companies. This focus allows the Firm to harness its resources in order to perform in-depth research on current holdings and new ideas. Johnston believes this focus provides the Firm with a significant competitive advantage. Maintaining focus on current holdings and closely monitoring position size is particularly relevant in the context of Johnston's long-term, low-turnover approach, where entry and exit points are important sources of adding value.

Johnston is a growth equity manager. The Firm seeks to buy "value" exclusively within a growth universe: market leading, high quality, strongly growing businesses "on sale." The valuation process is focused on medium-term future earnings streams, rather than other metrics such as historical growth, book value, etc. One important consequence of this is that portfolios tend to have many holdings with a very attractive PEG ratio relative to the market. This provides the dual-price growth drivers of earnings growth and multiple expansion.

A key tenet of the Firm's philosophy is that markets behave efficiently over the longer term, but are inefficient over shorter time frames. These periods of inefficient pricing have historically provided the opportunity to buy market leading, high-quality, growth companies at bargain prices, and conversely, to sell them when the market is paying a very high price relative to expected earnings growth. In summary, the philosophical drivers behind Johnston's strategy are:

- Earnings growth drives price growth; however, price entry and exit points are critical to risk and return outcomes.

- Quality and market leadership are critical stock selection elements, because of their propensity to reinforce each company's secular earnings growth prospects.
- Markets price stocks efficiently over the long term, but are inefficient in the short term.
-

Thus, companies which do not satisfy all of the following criteria are excluded from investment:

- Double digit annual EPS GROWTH over the following 3-5 years.
- Sit in the top quartile of VALUE among double digit secular EPS growth stocks (using Johnston's proprietary value ranking model).
- QUALITY - including strong balance sheet, strong returns above their cost of capital, an understandable business plan, significant investment in growth and good management.
- Market LEADERSHIP - lead a market or segment within an industry in which they operate, either globally or locally.

Stocks must meet all these criteria, not just one, two or three, in order to qualify for additional research, let alone portfolio entry.

As mentioned, the list of stocks that meet the Firm's investment hurdles consist of a small, yet highly fertile opportunity set. Furthermore, by narrowing its focus, the Firm believes it starts with a universe which has a propensity to outperform the broader market and additionally ensures its intellectual resources are efficiently utilized. The Firm believes that this focus, combined with the long experience of the investment team, ensures that those companies that do qualify for the portfolio are deeply researched and understood.

The style characteristics are:

- Bottom up
- Concentrated
- Index agnostic
- Medium to long-term focused
- Attractive PEG
- Low turnover
- Larger cap biased
- Diversified

Even the best companies in the world with proven management teams, business models and strong balance sheets can occasionally sell at bargain prices. There may be political, economic, market, industry or company specific news that causes a market-leading growth company to sell at an unreasonably low valuation. Valuation distortions also occur in under-followed companies, or ones that have gone through a significant transformation causing valuations to be misaligned with future growth prospects. In the short term, stocks can sell at prices well below where they have traded historically (driven by fear) and, conversely, well above (driven by greed). The process is designed to highlight when stocks are oversold/undervalued (entry point) and overbought/overvalued (exit) to take advantage of these price movements.

The Firm's investment approach is pragmatic and highly selective. It is based upon an inherent search for high quality growth companies coupled with a rigorous set of requirements creating a portfolio that

is intuitively appealing. This results in uncovering attractive opportunities in all kinds of environments and in areas where the herd is often not focused.

As outlined previously, a key tenet of Johnston's portfolio management strategy is focused investment research. Furthermore, the ability to narrow the research effort exclusively on a small group of fertile new ideas and portfolio holdings provides the Firm with an important competitive advantage.

Johnston's screen and ranking value model is a critical tool in quickly and efficiently identifying a limited number of new ideas with the relevant characteristics that are worthy of research. Thus, a key function of the screen is to generate new ideas. For this purpose it is run monthly.

It narrows the large universe of stocks down to a relevant group of securities that meet the Firm's stringent investment criteria. In particular, it screens for securities with at least 10%pa EPS growth over the next three-to-five years and market capitalization greater than US \$1 billion with adequate liquidity. The screen then ranks this smaller group of stocks for value adjusted for growth based on the Firm's proprietary value ranking factor. While the model is complex and has been refined over time, the essence of the screen has been used successfully for more than 25 years. Simply put, the ranking factor takes into account price relative to medium term EPS growth adjusted for country risk, dividends and other factors associated with the quality of the business.

The screening process then excludes stocks outside the top quartile of the value ranking. The top quartile is manually reviewed by the investment team for new ideas. This produces a small number of new ideas (typically 8-15 per month) considered worthy of research. Very few of these ultimately reach the portfolio. Consistent with Johnston's objective of efficient focus and researching only those companies that meet all of Johnston's research hurdles (growth, quality, leadership, value), as soon as a "fatal flaw" is identified the stock is eliminated from further consideration.

Another critical function of the screen is that it acts as a yardstick for comparing relative value beyond the idea generation process in order to determine whether a stock qualifies for portfolio entry or is required to be sold. As outlined below under "Buy/Sell Discipline", for a stock to be introduced into the portfolio it must rank within the top quartile of the screen, and if it falls below the bottom quartile the position must be exited. Thus, for example, if a stock has survived the screening process, it might not survive the research process, if based on Johnston's proprietary forecasted earnings it falls outside of the top quartile of value.

The screen is also used to provide scenario and sensitivity testing in stock analysis, providing important insights into the investment thesis.

B.C. All securities investments risk the loss of capital. The material risks that relate to Johnston's investment strategies may include the risks associated with diversification, foreign securities, currency, forward foreign currency exchange contracts, absence of regulatory oversight and liquidity. The following is a summary of these potential material risks but is not meant to describe all potential risks:

Limited Liquidity – An investment in Johnston's funds provides only limited liquidity, because the Interests are not freely transferable and Limited Partners may withdraw their capital only on a Dealing Day in accordance with the terms of the Partnership Agreement.

Diversification – Since Johnston’s portfolios are likely to be relatively concentrated, its value may fluctuate more significantly than would be the case if the portfolios maintained a wide diversification among companies, industries and types of securities.

Foreign Securities – Foreign securities investment presents special considerations not typically associated with investments in domestic securities. Foreign taxes may reduce income. Currency exchange rates and regulations may cause fluctuations in the value of foreign securities. Income from foreign issuers may be subject to non-US withholding taxes. Portfolios may also be subject to taxes on trading profits or on transfer of securities in some countries. The costs of buying and selling foreign securities, including brokerage, tax and custody costs are generally higher than those for domestic transactions. Foreign securities are subject to different regulatory environments than in the United States, and compared to the United States, there may be a lack of uniform accounting, auditing and financial reporting standards, less volume and liquidity and more volatility, less public information and less regulation of foreign issuers. Countries have been known to expropriate or nationalize assets and foreign investments may be subject to political, financial or social instability or adverse diplomatic developments. There may be difficulties in obtaining service of process on foreign issuers and difficulties in enforcing judgments with respect to claims under the US securities laws against such issuers. Favorable or unfavorable differences between US and foreign economies could affect foreign securities values. The US government has, in the past, discouraged certain foreign investments by US investors through taxation or other restrictions and it is possible that such restrictions could be imposed again.

Currency – Portfolios may invest in securities or other instruments denominated in non-US currencies. Such investments involve various currency risks, including unfavorable currency exchange rate developments and political or governmental intervention in currency trading or valuation. These risks are higher in emerging markets. Portfolios may, but are not required to, hedge currency risk in the portfolio and there can be no assurance that if the portfolio does hedge, that such hedging will be effective.

Absence of Regulatory Oversight – Johnston’s commingled LPs are not registered under the Investment Company Act of 1940, as amended (the “’40 Act”), in reliance upon an exclusion for privately offered investment companies. Accordingly, the provisions of the ’40 Act which, among other things, require investment companies to have a majority of disinterested directors, require certain kinds of shareholder reporting and regulate the relationship between the adviser and the investment company are not applicable.

While all equity investments involve some measure of risk, which a client must be prepared to bear, there are a number of inherent strong risk diffusers in our investment approach. We adhere to self-imposed diversification guidelines which help to control portfolio exposure to risks. In addition, the rigorous qualifying criteria include various high quality factors: a strong balance sheet, predictable earnings streams, strong free cash flow and proven management. Importantly, before purchasing a stock, we look for an undervalued entry point which further

helps to limit downside risk. Finally, we also maintain a disciplined sell process in the management of portfolio positions, also part of a sound risk-control process.

Item 9: Disciplinary Information

A.B.C. Johnston and its employees have not been involved in any legal or disciplinary events that are material to a client's or prospective client's evaluation of its business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

- A. None of Johnston's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. None of Johnston's management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. None of Johnston's management persons have a relationship or arrangement with any person or entity that creates a material conflict of interest with its clients.
- D. Johnston does not recommend or select other investment advisers for its clients.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A.D. Johnston has adopted a written Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Among other things, the Code requires Johnston and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of impropriety and pre-clear and report on personal securities transactions. Johnston's restrictions on personal securities trading apply to trading in accounts owned by employees, as well as employees' family members living in the same household and controlled by the employee ("Covered Accounts"),

A copy of Johnston's Code is available to any client or prospective client upon request.

Johnston and its personnel may affect limited transactions for their own accounts in the same or different securities than those purchased or sold for the accounts of Johnston's clients. This presents a potential conflict of interest between Johnston and its clients. Johnston employees could take advantage of investment opportunities that are appropriate for the firm's clients prior to taking the opportunity for its clients. Johnston has implemented policies and procedures under its Code to avoid these conflicts in the management of its clients' accounts.

No equity transaction can be made in a Covered Account without prior approval. Equity transactions include common stock (including ADRs, GDRs, preferred or convertible preferred stock, puts and calls). Approval will not be granted where it would appear that an employee's trading could disadvantage Johnston's clients. The Chief Compliance Officer ("CCO") monitors employee trading, relative to client trading. To ensure that employees do not engage in improper transactions.

- A. Neither Johnston nor its employees have a material financial interest in the securities that it buys or sells for its clients' accounts.
- B. Johnston is the General Partner of the Johnston International Equity Fund I, LP, Johnston International Equity Fund II, LP, Johnston Global Equity Fund and the Johnston Capital Partners Fund I, LP. These funds invest in the same securities as Johnston's separately managed accounts. This poses a potential conflict of interest with Johnston's clients in that Johnston could have incentive to give more favorable allocations of securities to its proprietary vehicles than its separately managed accounts. The commingled funds are included in the firm's trade rotation worksheets which means they are traded in conjunction with the separately managed account and in cases where an order is partially filled, the commingled products neither go first nor last at any given time.

Item 12: Brokerage Practices

- A. Johnston works with approximately thirty (30) different custodians and more than a dozen different brokers.
 - 1. Research and Other Soft Dollar Benefits – Johnston uses commissions to pay for street research only under the safe harbor provisions of §28(e) of the Exchange Act of 1934, as amended (the "Exchange Act"). When Johnston uses client brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the research, products or services. Johnston has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. Johnston may cause its clients to pay commissions higher than those charged by other broker-dealers in

return for soft dollar benefits. As a fiduciary, Johnston has an obligation to seek “best execution” of clients’ transactions under the circumstances of the particular transaction. Notwithstanding the safe harbor provided under §28(e), no allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

Examples of research services that can be acquired by Johnston with the commissions paid by its clients include, but may not be limited to: financial newsletters; trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution and certain proxy services.

Examples of brokerage services that can be acquired by the adviser with the commissions paid by the adviser’s clients include, but may not be limited to: connectivity services between Johnston and a broker-dealer or other relevant parties such as custodians; trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post-trade matching trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirmations or trade affirmations.

The research obtained through soft dollar benefits is used to service all clients.

Johnston does not execute principal transactions.

Johnston has designed its policies and procedures so that its soft dollar arrangements with respect to any particular client’s account comport with the CFA Institute Soft Dollar Standards. Additional information in accordance with the CFA Institute Soft Dollar Standards concerning Johnston’s soft dollar arrangements is available on request.

2. Brokerage for Client Referrals – Johnston does not compensate any custodian or broker-dealer for referring client accounts.
3. Directed Brokerage – A few clients have directed us to use a specific broker-dealer through which we must execute securities transactions for their account(s), and have negotiated their own commission rates. Where a client has directed the use of a particular broker-dealer, the client should consider the following information: (i) we may have limited or no ability to negotiate commissions for the client; (ii) we are

unable to negotiate volume discounts; (iii) disparity in commission charges may exist among clients; (iv) conflicts of interest may arise from such non-brokerage referrals; (v) such brokerage referral trades are usually executed after non-brokerage referral trades and (vi) such client may not be able to obtain any of the benefits of block trades that we may enter into for clients who have not directed us to use a particular broker-dealer.

We often purchase or sell securities for several client accounts at approximately the same time. Such order may be combined or “batched” to facilitate obtaining best execution, to negotiate more favorable commission rates and/or to allocate equitably among such clients the reflects of any market fluctuation that might have otherwise occurred had such orders been placed independently. Under this procedure, the transactions are averaged as to price and allocated as to amount according to the daily purchase and sale orders actually placed for each client account.

Transactions that are to be effected through a particular broker-dealer pursuant to a client direction, may not be combined or batched for execution with orders for the same securities for other managed accounts, except to the extent that such broker-dealer is the executing broker-dealer for the combined or batched order. Where the above exception is not applicable, trades that are to be effected through a particular broker-dealer pursuant to a client direction are usually placed after batched trading activity for a particular security. Accordingly, such trades may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the batched order. The direction by a client of a particular broker-dealer to execute trades may result in higher commissions, greater spreads, or less favorable net prices than might be the case if we were empowered to negotiate commission rates or spreads freely or to select brokers or dealers based on best execution.

- B. Johnston typically aggregates client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur the same trading costs. If an order is partially filled, clients will have their orders allocated by a percent of the total shares. Johnston will seek to complete any unfilled client orders on the next trading day.

No one account is repeatedly executed first or last. We are cognizant of the order in which the trades are entered. This allows for a fair rotation of clients being allocated securities.

Item 13: Review of Accounts

- A.B. Accounts under Johnston's management are monitored on an ongoing basis by the investment team and the CCO. The investment team members review each account by reviewing weekly reports that are designed to identify accounts that are outside the expected range for returns, exposure to asset classes and exposure to industry sectors. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political or economic environment changes materially.
- C. Clients receive account statements directly from their chosen custodian on a monthly basis. Johnston also sends monthly or quarterly reports (at the client's discretion). These reports provide holdings information including costs, market value and income. Many clients also receive reports providing gain and loss, transactions, income and expense and performance information.

Item 14: Client Referrals and Other Compensation

- A. Johnston only receives an economic benefit from clients to whom it provides investment advice.
- B. Johnston has contracts in place with third party marketing firms that provide referrals and assist us with client servicing.

Item 15: Custody

All clients' accounts are held by unaffiliated qualified custodians but Johnston can access many clients' accounts through its ability to debit advisory fees. Custodians send statement directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Johnston.

As the General Partner of the Johnston International Equity Fund I, LP, the Johnston International Equity Fund II, LP, the Johnston Global Equity Fund and the Johnston Capital Partners Fund I, LP, Johnston is deemed to have custody of the funds and securities for these funds. All funds are audited at least annually. Audited financial statements are prepared in accordance with generally accepted accounting principles. Audited financial statements are distributed to all investors within 120 days of the end of the fiscal year.

Item 16: Investment Discretion

Johnston has investment discretion over all clients' accounts. Clients grant Johnston trading discretion through the execution of the advisory agreement or offering documents.

Clients can place reasonable restrictions on Johnston's investment discretion. For example, some clients have asked Johnston not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis. In certain cases, we will call the client before placing a transaction for a new security in order to comply with client restrictions.

Any limitations on discretion imposed by a client, such as socially conscious restrictions, would be referenced in the advisory agreement or an amendment thereto.

Item 17: Voting Client Securities

Johnston has and will accept authority to vote proxies on behalf of its clients. In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Johnston has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Johnston votes will be treated in accordance with these policies and procedures.

Johnston considers the reputation, experience and competence of a company's management and board of directors when it evaluates a prospective investment. In general, Johnston votes in favor of routine corporate matters such as the re-approval of an auditor or a change of a legal entity's name. Johnston also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.

In 2012, Johnston contracted with Glass Lewis & Co. ("Glass Lewis") to handle proxy voting. We have familiarized ourselves with Glass Lewis' procedures and research and feel that they offer the best combination of research, record keeping, procedural efficiency and customer service to help us best serve our clients.

Clients may obtain a copy of Johnston's proxy voting policies and procedures, as well as specific information about how Johnston has voted proxies on their behalf in the past upon written request.

Item 18: Financial Information

A.B. Johnston does not solicit or require pre-payment of management fees.

- C. Johnston has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Item 19: Requirements for State Registered Advisers

Johnston is registered with the SEC and is not registered as an investment adviser with any state regulatory authority.