

## First State Investments (US) LLC

### Form ADV Part 2A - Brochure

#### A Guide to Our Services

This brochure provides information about the qualifications and business practices of First State Investments (US) LLC. If you have any questions about the contents of this brochure, please contact us on 212-848-9237 or ([samantha.rick@firststateinvestments.com](mailto:samantha.rick@firststateinvestments.com)). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about First State Investments (US) LLC is also available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

First State Investments (US) LLC  
599 Lexington Ave. 17<sup>th</sup> Fl. New York, NY 10022  
[www.firststateinvestments.com](http://www.firststateinvestments.com)

First State Investments (US) LLC is registered as an investment adviser with the SEC. Please note, registration as an investment adviser with the SEC does not imply a certain level of skill or training.

## 2. Material changes

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#### 4. Advisory business

First State Investments (US) LLC ("FSI US") is a newly formed investment adviser. Senior members of the portfolio management team have, in most instances, worked together for more than 20 years serving the institutional investor community. Over the past two decades they have developed, and successfully implemented, a transparent, method-based investment approach. Through process design and team integration, they have created a task-based structure which has enhanced accountability, reduced key-man risk, and meaningfully improved operational risk.

FSI US is part of Colonial First State Global Asset Management ("CFSGAM"), the consolidated asset management business of the Commonwealth Bank of Australia ("CBA Group"). FSI US is ultimately 100% owned by the Commonwealth Bank of Australia, which is listed on the Australian Stock Exchange and is one of Australia's largest financial institutions.

FSI US will offer investment advice primarily to institutions, with respect to fixed income securities.

FSI US will provide ongoing discretionary investment management services to institutional clients through a separate account, based on customized investment objectives or guidelines, time horizons, risk tolerances and limitations of such clients. FSI US may tailor the fees charged to clients and the type of reporting they receive.

FSI US expects to act as the investment manager to investment vehicles with U.S., and non-U.S., institutional investors ("Private Funds"). FSI US does not anticipate registering such investment vehicles under the U.S. Investment Company Act of 1940 and their shares or interests, as applicable, will not be registered under the U.S. Securities Act of 1933. Accordingly, the Private Funds will not be publicly offered in the United States.

FSI US does not participate in wrap fee programs.

## 5. Fees and compensation

Fees and compensation will be negotiated on a case by case basis with our clients. We will either charge an advisory fee based on a percentage of funds under management, or clients may choose to pay a fee with an element of percentage of funds under management, and an element of performance based advisory fee.

Clients will pay advisory fees quarterly in arrears, and performance based fees will normally be paid annually in arrears.

We will generally invoice clients direct for the fees they have incurred; we will not deduct fees directly from client accounts unless clients have explicitly instructed us to do so.

In addition to FSI US' advisory fee, clients will incur other fees and expenses charged by third parties in relation to their accounts, including custody fees, brokerage, foreign exchanges fees, and other transaction costs.

Generally the client may terminate the agreement by providing a written notice at the principal place of business. However, account termination provisions will be specified in the individual client agreements.

## **6. Performance based fees and side by side management**

As described in the Fees and Compensation section, clients may choose a fee containing an element of a performance based advisory fee.

Where FSI US outperforms the relevant benchmark or hurdle, we may earn a higher fee from clients who pay a performance based fee.

We have clear and equitable trade allocation procedures to ensure fair treatment of all clients, and avoid potential conflicts of interest for clients who elect to have different fee structures.

## 7. Types of clients

We provide investment advice to institutional investors, including, but not limited to:

- Pension plans
- Investment companies
- Endowments
- State and Municipal organisations
- Charitable organisations

Clients are generally 'qualified purchasers' as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

## 8. Methods of analysis, investment strategies and risk of loss

### Our approach to investing

Our approach to investing is driven by a focus on understanding our clients' investment needs, applying the skills of our specialist investment teams, and acting with integrity to meet or exceed our clients' expectations.

We aim to be a global leader in the markets in which we operate. We also seek to provide the best possible investment solutions for our clients.

The scale of our business, and the global reach of our resources, mean we have specialist investment teams which set their own style, which we believe promotes commitment and intellectual engagement.

We take the stewardship of our clients' assets seriously. We believe in clearly understanding each client's appetite for risk and returns over their chosen timeframe, and manage their investments to the highest standard of service, accountability and transparency.

In a client focused business, we recognize that dedicated, talented and passionate people are the key to delivering investment success for our clients. It is only through our people, and the consistent, repeatable and robust business practices we have developed, that we are able to deliver successful outcomes for our investors.

### Fixed income mandates

We invest in fixed income instruments of all durations (short to intermediate to long bond) and credit types (investment grade to high yield). In addition to the key strategies described below, we also design portfolios designed to meet specific client needs, or satisfy broad market demand, such as absolute return products, index based products, asset allocation and liability-driven investments, and long/short credit products. Portfolios can be customized for a client's risk tolerance, sector restrictions, liquidity profile, quality constraints, and return targets. Below is a description of the investment process we use to design and manage U.S. fixed income portfolios.

### ***Process foundations***

*Alpha Source.* A unique, investable object or relationship, with an ascertainable price.

*Signals.* The conclusion of the research process; are the basis for portfolio risk adoption.

*Product Design.* A catalogue of the alpha sources allowed, and the exposures to be taken.

### ***Process overview***

Our process has three operating phases. Risk management and controls are incorporated throughout the process.

- 1) Research and signaling begins with alpha source research and ends with investment signals.
- 2) The design phase produces the product design.
- 3) During the portfolio construction phase, trades consistent with signal states are developed and executed to obtain exposures specified by product designs.



### ***Research and signals***

Research is the basis for the development of investment views. Analysts express their views via signals; signals reflect the analyst's expectation for alpha source price outcomes. To arrive at an investment signal, analysts perform the following procedure:

- 1) Selection of Drivers. Analysts identify the economic or financial elements that will influence the alpha source's price, yield, or spread.
- 2) Projection of Driver impact. Analysts project how drivers will behave, and assess the impact of each driver.
- 3) Generate investment signals. Analysts consider the various driver influences, and formulate investment views.

### ***Product design***

A product design embodies a method for adopting portfolio risk, a road map to be followed by portfolio constructors. The product design output is a matrix that details allowable alpha sources, and how each potential signal translates into target alpha source exposures.

The design process is flexible, permitting different design methodologies so as to meet client needs. The product design is evaluated regularly to ensure it continues to meet client needs.

### ***Portfolio construction and implementation***

Product designs specify position sizes. As analysts provide signals, portfolio constructors refer to the design, and construct a trade consistent with both design and the analyst's signal. Implementation involves testing proposed trades against compliance requirements, aggregating orders, and working to provide the best execution levels. We use a Trade Order Management System embedded in our portfolio risk analytics system. Pre and post trade compliance checks ensure client guidelines are followed, and desired portfolio positioning is maintained.

### ***Risk management and control***

We employ risk management techniques in a variety of areas. These include:

- a. Product design risk expectations.
- b. Investment signal controls.
- c. Portfolio guideline and target risk position controls.
- d. Overall process quality.

### **Investment risk**

Investing in securities involves a risk of loss that clients should be prepared to bear. Your investments are focused on securities of issuers that we believe are undervalued or inexpensive, relative to other investments. These types of securities may present risks, in addition to the general risk of investing in equity and bond securities. These securities are generally selected on the basis of an issuer's fundamentals, relative to current market price, and are subject to the risk of misestimating certain fundamental factors. In addition, during certain time periods, market dynamics may favor securities of issuers that do not display strong fundamentals, relative to market price, based upon positive price momentum and other factors. Disciplined adherence to our investment approach during such periods may result in significant underperformance, relative to overall market indices, and other managed investments that pursue growth style investments, and/or flexible equity style mandates.

### *Asset-backed securities risk*

Risks include the effects of general and local economic conditions on asset values, the conditions of specific industry segments, the ability of the obligors to make payments including such factors as the level of personal income and the unemployment rate. Additionally, investments in asset-backed securities rely, to some extent, on the representations and warranties of the seller. In some cases, seller fraud can occur and there can be no assurance that the seller has adequate resources to compensate investors for their losses.

### *Call risk*

When interest rates are low, issuers may repay the obligation underlying a “callable security” earlier than expected, thereby affecting the investment’s average life and perhaps its yield. A portfolio may have to reinvest the proceeds from the called security at the current, lower rates.

### *Credit risk*

Failure of an issuer to make timely interest or principal payments or a decline in the credit quality of a bond can cause a bond’s price to fall.

### *Currency risk*

A portion of your assets may be invested in equity or bond securities denominated in currencies other than the base currency of your account, the prices of which are determined with reference to currencies other than the base currency of your account. Currency exchange rates can also be affected unpredictably by intervention, or the failure to intervene, by foreign governments or central banks. These factors may affect the value of your investments.

Forward currency contracts may be utilized to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective. Further, by engaging in cross hedging transactions, the risk of imperfect correlation between the subject currencies will be assumed. These practices may present risks different from, or in addition to, the risks associated with investments in foreign currencies.

### *Derivatives risk*

A small investment in derivatives could have a potentially large impact on your portfolio’s performance. The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments, or the portfolio’s other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty, to the derivative instruments, to make required payments or otherwise comply with the derivative instruments’ terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk, and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments, as they may fluctuate in value more than the underlying instrument.

### *Distressed securities risk*

An investment in the securities of companies that are experiencing significant financial or business difficulties, including companies involved in debt restructurings, bankruptcy, or other reorganization and liquidation proceedings, may result in significant returns, but typically involve a high degree of risk. Among the problems involved in investments in such issuers are:

## First State Investments

- (i) it may be difficult to obtain information from such issuers who may be necessary to properly evaluate an investment;
- (ii) restructurings or reorganizations may be substantially delayed or fail to be completed;
- (iii) dividends, interest, or other disbursements may not be paid by the issuer; and
- (iv) your account may bear certain expenses to protect its investment in the course of negotiations surrounding any potential reorganization.

### *Emerging markets risk*

The political and economic structures in many emerging markets may be in their infancy and developing rapidly. As such, countries may lack the social, political and economic characteristics of more developed countries. A number 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. Many emerging markets have experienced substantial, and, in some periods, extremely high rates of inflation for many years. Continued inflation may adversely affect the economies and securities markets of such countries. In addition, unanticipated political or social developments may affect the value of your investments in these countries.

### *High yield securities risk*

Issuers of high yield securities generally have more limited revenue and cash flows, higher leverage in their capital structures, and less access to capital markets, than companies issuing investment grade debt. Therefore, investing in high yield corporate bonds entails increased credit risk, a higher probability of default, and higher liquidity risk. High yield issues also tend to have higher return volatility, and somewhat less interest rate risk, given the shorter duration of such issues compared to investment grade corporate bonds.

The small size, limited trading volume, and relative inexperience of the securities markets in some countries may make investments in such countries illiquid and more volatile than investments in more developed countries. Your assets may be invested in illiquid or restricted securities, for which there is no established resale market. These securities may only be able to be liquidated at disadvantageous prices.

### *Interest rate risk*

Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates. Mortgage-related securities can have more interest rate sensitivity than other bonds because of prepayments and other factors, and may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.

### *Illiquidity risk*

A portfolio may hold securities that are illiquid and cannot be transferred or redeemed for a substantial period of time, and there may be little or no near-term cash flow available to investors in the interim. A portfolio may not receive any distributions representing the return of capital on an illiquid security for an indefinite period of time.

### *Leverage risk*

Derivatives and other investments involve a degree of leverage. Generally, leverage may occur when, in return for the potential to realize higher gain, an investment exposes the investor to a risk of

loss that exceeds the amount invested. If FSI uses derivatives for leverage, the value of your portfolio will tend to be more volatile, resulting in larger gains or losses in response to the fluctuating prices of its investments.

### *Market risk*

Trading and investment strategies are subject to market risk. There can be no assurance that what is perceived as an investment opportunity will not, in fact, result in substantial losses as a result of one or more of a wide variety of factors. Certain general market conditions, for example a reduction in the volatility or pricing inefficiencies in the markets in which your assets are invested, could materially reduce your profit potential. Where the portfolio or fund we manage for you includes bond (or debt) securities, these will also be affected by movements in interest rates. In general, if interest rates rise, the value of such securities will fall, and if interest rates fall, the value of such securities will rise.

### *Mortgage-backed securities*

Risks include the effects of general and local economic conditions on real estate values, the conditions of specific industry segments, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants, which in turn may be affected by local conditions such as oversupply, or a reduction of, available space, the ability of the owner to provide adequate maintenance and insurance, changes in management of the underlying commercial property, energy costs, government regulations with respect to environmental, zoning, rent control, bankruptcy and other matters, real estate and other taxes, and prepayments of the underlying commercial or residential mortgage loans.

### *Short selling*

A portfolio may engage in short selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in securities. There can be no assurance that the security necessary to cover a short position will be available for purchase, nor that the price of the underlying security will not increase, thus increasing the cost of buying those securities to cover the short position.

## 9. Disciplinary information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's, or prospective client's, evaluation of our company or the integrity of our management. At the present time, FSI US does not have any material legal, financial, or other disciplinary items to report.

## 10. Other financial industry activities and affiliations

FSI US is part of the CBA Group, which is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance, investment and broking services. In some cases, FSI US has business arrangements with related persons/companies to the FSI US advisory business or to their clients. In some cases, these business arrangements may create potential conflicts of interest, or the appearance of a conflict of interest between FSI US and a client. Recognized conflicts of interest are discussed in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) of this Brochure.

FSI US is registered with the Commodity Futures Trading Commission ("CFTC") as a Commodity Trading Adviser and as a Commodity Pool Operator. It is also a member of the National Futures Association. In accordance with CFTC Rule 4.7, FSI US must prominently display the following CFTC-specified disclosure statement in this Brochure.

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMODITY FUTURES TRADING COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR BROCHURE.

### Affiliated broker dealer

FSI US is associated with a broker dealer, Commonwealth Australia Securities LLC ("CAS"). CAS is a broker dealer registered under the US Securities Exchange Act of 1934 and a member of FINRA. FSI US will enter into a services agreement with CAS to facilitate the distribution of Private Funds managed by FSI US. Certain employees of FSI US will also be employees and registered representatives of CAS ("Dual-Hatted Employees"). The Dual-Hatted Employees, in addition to marketing FSI US' investment advisory services, will provide U.S. marketing and solicitation services for the Private Funds managed by affiliated advisers.

### Affiliated investment advisers

Colonial First State Asset Management (Australia) Limited (CFSAMA) is an SEC registered investment adviser and is an affiliate of FSI US. CFSAMA was incorporated in 2005 and is a wholly owned subsidiary of the CBA Group. CFSAMA is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of CFSAMA.

First State Investment International Limited ("FSII") is a registered investment adviser, and is an associate of CFSAMA. FSII was incorporated in 1982, and is a wholly owned subsidiary of the CBA Group. FSII is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSII.

FSI US may, from time to time, invest in the same securities that CFSAMA, FSII and/or any of its other affiliates are also currently invested. Portfolio management and security recommendations are undertaken at an investment strategy level and each investment team managing these strategies is organized separately. Information barriers and other controls exist between investment teams to manage any potential conflicts that may arise.

## 11. Code of ethics

FSI US has adopted a Code of Ethics (the “Code”) that requires FSI US, and all employees, affirmatively exercise authority and responsibility for the benefit of clients, and not participate in any activities that may conflict with the interests of clients except in accordance with the Compliance Manual. In addition, employees must avoid activities, interests and relationships that might interfere, or appear to interfere, with making decisions in the best interests of the FSI US’ clients.

The Code contains policies and procedures that, among other things:

- prohibits employees from taking personal advantage of opportunities belonging to clients;
- prohibits trading on the basis of material nonpublic information;
- places limitations on personal trading by employees and impose preclearance and reporting obligations with respect to trading;
- requires initial and annual reports of securities holdings and monthly transaction reports by employees;
- places limitations on gifts and entertainment received;
- places limitations on the outside business activities conducted by employees; and
- requires employees to maintain in confidence, information about FSI US and investors.

### Protection of material non-public information

It is a crime in the U.S. and many other countries to transact in a company’s securities while in possession of material, non-public information about the company. Employees are responsible for safeguarding non-public information relating to securities recommendations, fund and client holdings. As such, employees should not trade based on FSI US’ confidential and proprietary investment information. Other types of information (e.g., marketing plans, employment issues, client identities, etc.) may also be confidential and should not be shared with individuals outside FSI US (except those retained to provide services for FSI US).

### Personal securities trading

The Code of Ethics governs personal trading by all employees and members of their household. Employees are permitted to maintain personal securities accounts, provided that such accounts are disclosed to FSI US and that any personal trading is consistent with applicable law and the Code of Ethics.

In summary, pre-approval is required for all transactions in listed securities and all positions must be held for 30 days. Portfolio managers and research analysts may not invest in any security that is, or may be, held by a Private Fund or other portfolio for which he or she has responsibility.

### Gifts and gratuities

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships; not to gain unfair advantage with clients or vendors. No gift or entertainment should ever be offered, given, provided or accepted by any FSI US employee unless it:

- (i) is unsolicited;
- (ii) is not a cash gift;
- (iii) is consistent with customary business practices;
- (iv) is not excessive in value;
- (v) cannot be construed as a bribe or payoff and is given or accepted without obligation; and
- (vi) does not violate applicable laws or regulations.

## **Conflicts of interest**

In the discharge of its fiduciary duties FSI US has in place policies and procedures to manage actual or perceived conflicts of interest. In summary, this involves:

- Putting in place controls to ensure the impact of the actual or potential conflict is reduced to an acceptable level; and/or
- Disclosing all material facts concerning any actual or potential conflict that may arise; or
- If an actual or potential conflict cannot be effectively managed by either disclosure or control then the situation must be avoided.

## **Outside business interests**

To manage conflicts of interest, inside information, and other compliance and business issues, FSI US maintains a record of its employees serving as officers or members of the board of any other entity. Permission must be obtained through the Chief Compliance Officer and management prior to engaging in any outside business activity. FSI US can deny approval where the perceived conflict of interest cannot be managed effectively.

You may request a copy of our Code of Ethics by writing to the Chief Compliance Officer, First State Investments (US) LLC 599 Lexington Ave. 17<sup>th</sup> Floor New York, NY 10022.



## 12. Brokerage practices

### Order aggregation and allocation

FSI US seeks to aggregate and allocate trade orders in a manner that is consistent with its duty to:

- (1) seek best execution of client orders;
- (2) treat all clients fairly and equitably over time; and
- (3) not systematically advantage or disadvantage any single client or group of clients.

FSI US follows policies and procedures pursuant to which it may combine or aggregate purchase or sale orders for the same security for multiple client accounts (also known as a bunched order) so that the orders can be executed at the same time. FSI US aggregates orders when FSI US considers doing so appropriate and in the interests of its clients. FSI US' client accounts may be included in the aggregated orders with clients of FSI US' affiliated advisers.

When orders are aggregated, the orders may be placed with one or more brokers for execution. When a bunched order is filled, FSI US generally will allocate the securities purchased, or proceeds of sale, pro rata among the participating client accounts, based on the pre-trade allocation. Adjustments or changes may be made under certain circumstances, such as to avoid small allocations or to satisfy cash flows and guidelines. If an order at a particular broker is filled at several different prices, through multiple trades, generally all participating client accounts will receive the average price.

Although allocating orders among FSI US clients may create potential conflicts of interest because FSI US may receive greater fees, or overall compensation from some clients than received from other clients, allocation decisions will not be made based on such greater fees or compensation. When an investment opportunity is suitable for two or more clients, allocations will be made in a fair and equitable manner, and will take the following factors, among others, into consideration: the relative size of the client account, available cash for investment, investment objectives and restrictions, liquidity considerations, legal and regulatory restrictions, portfolio risk/return objectives, investment horizons, and client instruction.

### Counterparty approval

FSI US has a rigorous counterparty approval process to ensure that we use suitable, reliable counterparties (brokers) when dealing on behalf of clients. In order to ensure that they are suitable and reliable, we have adopted an approved list of counterparties which have been reviewed and considered to be appropriate for us to deal with on behalf of our clients.

The process of approving new counterparties is the responsibility of the CFSGAM Debt Best Execution Committee. The criteria used to assess each counterparty can be grouped into 5 main categories:

- Market execution;
- Support;
- Financial Strength;
- Operational capability;
- Ethical standards.

The weightings assigned to each category will vary depending on the individual asset sector, its requirements, and nuances.

In choosing brokers and deals for specific transactions, FSI US seeks best execution. What constitutes "best execution", and determining how to achieve it, are inherently uncertain. In evaluating whether a broker or dealer will provide best execution, FSI US considers a range of

factors. In addition to quantitative factors such as transaction costs, FSI US may consider a number of other factors including, but not limited to:

- (1) the size and type of transaction;
- (2) access to liquidity;
- (3) execution efficiency;
- (4) capital utilization;
- (5) the value of brokerage and services provided by the broker;
- (6) clearance and settlement services;
- (7) financial responsibility/counterparty credit statistics;
- (8) responsiveness to inquiries or issues;
- (9) confidentiality;
- (10) knowledge of the specific security and its industry group;
- (11) the availability of securities to borrow for short sales;
- (12) block trading capabilities;
- (13) access to markets; and
- (14) the ability to limit market impact.

### **Use of dealing commission**

FSI US does not expect to use soft dollars.

### **Directed brokerage**

At this time, FSI US does not accept client directed brokerage arrangements.

### 13. Review of accounts

FSI US regularly reviews client accounts. The frequency of that review is determined by the requirements of the client and the nature of the mandate, and includes periodic reviews of performance, investment activity, and outlook. Normally these reviews would be carried out by the named portfolio managers, other qualified members of the investment team, together with the relationship manager, or, in some cases, by the relationship manager directly. The named portfolio manager or senior member of the investment team and the primary relationship manager will normally discuss with the client on at least an annual basis.

Periodic written data, including valuations and transaction information, will be provided on a monthly basis and may be supplied to the client, or the client's custodian, for accounting or reconciliation purposes. In addition, clients will receive quarterly reports, either following a standard First State Investment template, or tailored to suit the individual client or mandate requirements. Quarterly factsheets will be produced and sent out to the investors of the Private Funds.

The Investment Process Management Committee has responsibility in relation to all relevant funds and portfolios under the management of FSI US and regularly reviews performance, counterparty risk and associated issues, breaches of investment guidelines, and any general dealing or operational factors which may affect the funds that we manage.

In the event of a major market dislocation, or similar event, client accounts would be reviewed and appropriate action and communication undertaken promptly.

#### **14. Client referrals and other compensation**

FSI US does not enter into agreements with third parties for the referral of new clients in the U.S.

FSI US does not receive any economic benefit from anyone who is not a client for providing investment advice.

## 15. Custody

FSI US generally does not maintain custody of the assets of our clients with separately managed accounts or Funds. Instructions to facilitate portfolio management trading, payment of fees and any related issues are generally instructed through the client's or Private Fund's custodian.

All clients should receive account statements directly from the broker-dealers, banks, trustees, or other qualified custodians with whom they have accounts. FSI US strongly urges all clients to compare the reports they receive from FSI US to the statements they receive from their broker-dealers, banks, trustees or custodians. Any issues or discrepancies should be communicated to FSI US promptly for investigation.

## **16. Investment discretion**

FSI US will accept discretionary authority to manage securities accounts on behalf of clients through the negotiation, agreement, and execution of an Investment Management Agreement, which sets out the investment objectives of the client and any limits that the client may wish to impose on the discretionary authority.

For instance, clients may restrict the type of securities that may be included in the portfolio, or place limits on borrowing, underwriting or limit investment in particular securities.

Each Investment Management Agreement will contain specific provisions that both parties, and in some cases, multiple parties, will agree to.

From time to time, FSI US may also accept client mandates on a sub-advisory basis.

## 17. Voting client securities

The concept of stewardship is at the heart of FSI US' investment approach. FSI US is in a position to influence the environment, social, and governance performance of companies via discussions with management or the board of directors, and through the exercising of proxy votes.

FSI US has in place a comprehensive corporate engagement policy that is designed to ensure proxies are voted in the best interests of its clients. Subject to specific client directions, FSI US will exercise every vote in accordance with that policy.

Where a portfolio manager or analyst making a proxy voting decision, or FSI US as a whole, has a potential material conflict, such instructions will be forwarded to the Chief Investment Officer for agreement with the course of action to be taken. Following advice from the Risk & Compliance and Legal teams, where it is determined a material conflict does in fact exist, the final decision on how to vote such securities will be made by the Chief Investment Officer.

The authority and responsibility for exercising proxy votes will be defined within the investment management agreement executed between FSI US and each discrete mandate client. However, FSI US may still receive proxy voting instructions from each discrete mandate client on a case by case basis (provided FSI US is notified in a timely manner) or alternatively, the discrete mandate client may instruct their custodian directly.

FSI US' voting policy is available upon request. A client may obtain a record of FSI US' voting for such client by contacting Chief Compliance Officer, at 212-848-9237

## **18. Financial information**

FSI US does not require prepayment of any advisory fees. Presently, FSI US has no financial commitments or obligations that would interfere with its obligations to its clients. FSI US has never filed for bankruptcy protection.



For further information

First State Investments (US) LLC

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