

## First State Investments (UK) Limited

### Form ADV Part 2A - Brochure

#### A Guide to Our Services

Updated August 2015

This brochure provides information about the qualifications and business practices of First State Investments (UK) Limited (FSI UK). If you have any questions about the contents of this brochure, please contact us on +44 (0) 207 332 6500 or [enquiries@firststate.co.uk](mailto:enquiries@firststate.co.uk). 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 (UK) Limited is also available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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First State Investments (UK) Limited 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**

On 1 July 2015 the First State Stewart team split to form two new teams, one primarily based in Hong Kong (First State Stewart Asia) and the other primarily based in Edinburgh (Stewart Investors). Stewart Investors has become an investment division in its own right. Both teams remain part of Colonial First State Global Asset Management.

With effect from 28 December 2014 we have closed the First State Investments Global Listed Infrastructure Fund and the First State Investments Global Property Securities Fund, which were both part of the First State Delaware Statutory Trust Funds.

The changes referenced above are the only material changes we have identified since the last update of this brochure which was carried out in August 2014.

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#### 4. Advisory business

FSI UK was incorporated in 1998, and is part of Colonial First State Global Asset Management (“CFSGAM”), the consolidated asset management business of the Commonwealth Bank of Australia. FSI UK 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 UK will only carry on the following regulated activities as specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001:

- Managing an Alternative Investment Fund (AIF)
- Managing Undertaking for Collective Investments in Transferable Securities (UCITS)

FSI UK acts as the investment manager to investment vehicles with U.S., and non-U.S., institutional investors (“Private Funds”). FSI UK 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.

The First State Investments Delaware Statutory Trust and the First State Investments Group Trust (together the “Funds”), are US domiciled funds which are only sold to US investors, FSI UK is also the manager of funds domiciled in the European Union (however, these funds are not sold in the US).

This document and the figures contained within only refer to the First State Investments Delaware Statutory Trust and the First State Investments Group Trust.

However, please note that the ADV part 1 application refers to the capabilities of FSI UK as a whole, and the supporting facts and figures reflect this.

As at 31 July 2015, FSI UK had a total of \$798 million of client assets under management relating to the First State Investments Delaware Statutory Trust and the First State Investments Group Trust.

FSI UK does not participate in wrap fee programs.

## 5. Fees and compensation

Fees and compensation are negotiated on a case-by-case basis with our clients. We charge an advisory fee based on a percentage of funds under management.

Clients pay advisory fees quarterly in arrears.

We will normally invoice clients directly for the fees they have incurred. Clients may elect to separately pay the advisory fee to FSI UK, or may direct the Custodial Trustee to pay the fee to FSI UK by redeeming the appropriate number of units.

In addition to FSI UK's advisory fee, clients incur other fees, for example fund administration, audit and legal fees.

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

Currently no clients in the Funds are charged a performance 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

The Funds are available for investment by institutional investors including, but not limited to:

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

Investors are '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, means we have specialist investment teams that 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.

We believe that being a responsible investor means incorporating the consideration of environmental, social and corporate governance (ESG) factors into our overall business strategy. ESG considerations are an integral part of the investment process employed by all of our investment teams.

In a client-focused business, we recognise 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.

All of our Analysts and Portfolio Managers have a high level of performance-related incentives which are directly linked to the performance of the Funds. Performance of our Funds against relevant benchmarks and competitors forms the major component of the performance measurement. The head of each asset class is also evaluated based upon the overall business success of their asset class. These measures ensure that the interests of our investment teams and clients remain firmly aligned.

### Key strategies

#### *Asia Pacific ex-Japan equities*

Our Stewart Investors team (responsible for the Asia Pacific and Emerging Markets Equities and Worldwide strategies) is one of the most stable and well-known in the industry, and includes individuals based in both the UK and the Asian region. We employ a rigorous, bottom-up research process which combines regular company visits with extensive fundamental analysis.

Our investment research aims to identify the highest quality companies with sustainable long-term earnings per share growth prospects and focuses on those stocks where we believe the market has incorrectly priced future growth potential.

We see a dynamic long-term picture emerging for Asia, including positive demographic trends in countries such as India which should contribute to a major expansion of consumer markets. Another encouraging factor is the entrepreneurial culture which is firmly entrenched across the region. We continue to find many high-quality companies with excellent management and strong business franchises focused on shareholder value.



### ***Emerging markets equities***

We have been managing global emerging markets equities since 1992 through both pooled and segregated portfolios.

Our investment management team has strong credentials in this asset class as each team member has first-hand knowledge of specific regions throughout the emerging markets. Our extensive contact with companies allows us to thoroughly assess company managements before making any stock decisions.

As with our other funds, we maintain a conservative style in what can be a volatile asset class, focusing on capital preservation as well as growth. We aim to produce consistent long-term outperformance, seeking out opportunities that allow us to invest in the highest quality companies in the emerging markets universe.

### **General investment risk**

Investing in securities involves a risk of loss that clients should be prepared to bear. 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 generally are 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 favour 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.

### **Foreign investment risk**

Maintaining assets in foreign countries may involve higher costs and greater risks than those associated with similar investments in the UK or clients' home jurisdictions, particularly in the case of assets maintained in emerging countries. Investments in securities of issuers located in emerging markets can be more speculative than investments in securities of issuers located in developed countries and are subject to certain special risks.

### **Custody risk**

The scope and range of custodial services offered in many foreign countries, particularly less developed or developing nations (known as "emerging markets") may be limited. As a result, assets may be maintained with banks, brokers and other financial institutions which have more limited custody services, less experience, less developed procedures for safekeeping of assets, poorer capitalisation, and greater risks of bankruptcy, insolvency and fraud than would typically be the case in other jurisdictions.

### **Political & economic 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. In the past, some of these countries have failed to recognise private property rights and have at times nationalised and expropriated the assets of private companies. Many emerging markets have experienced periods of substantial and sometimes 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 investments in these countries.

### **Liquidity risk**

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. 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.

### **Currency risk**

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

Forward currency contracts may be utilised 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.

### **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 assets are invested, could materially reduce profit potential. Where the portfolio or fund we manage 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.

## **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, we do not have any material legal, financial or other disciplinary items to report.

## 10. Other financial industry activities and affiliations

FSI UK 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, business arrangements with affiliates may create potential conflicts of interest, or the appearance of a conflict of interest between FSI UK and a client. Recognised conflicts of interest are discussed in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) of this Brochure.

### Affiliated broker dealer

FSI UK 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 UK has entered into a services agreement with CAS to facilitate the distribution of its funds.

### Associated Investment Advisers

First State Investments International Limited (FSII) is a registered investment adviser and is an associate of FSI UK. 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. FSII has entered into a sub-delegation agreement with FSI UK to act as sub-adviser to First State Investments Delaware Statutory Trust and the First State Investments Group Trust.

First State Investment Management (UK) Limited (FSIM) was incorporated in 1970 and is part of Colonial First State Global Asset Management ("CFSGAM"). FSIM is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds.

Colonial First State Asset Management (Australia) Limited (CFSAMA) is a registered investment adviser and is an associate of FSI UK. 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.

First State Investments (Singapore) (FSIS) is licensed by the Monetary Authority of Singapore in the conduct of its investment business in Singapore and is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC"). FSIS was incorporated in 1969 and is a wholly owned subsidiary of the CBA Group. FSIS provides portfolio construction and investment management services to a range of institutional clients and funds.

FSIS serves as a Sub-Adviser and provides discretionary investment management services in respect of the following funds and certain client portfolios:

- First State Investments Global Emerging Markets Leaders Fund, a series of First State Investments Delaware Statutory Trust; and
- First State Investments Global Emerging Markets Leaders Fund, an Illinois Group Trust.

First State Investments (US) LLC (FSI US) is an SEC registered investment adviser and is an affiliate of FSI UK. FSI US was established in 2014 and is a wholly owned subsidiary of the CBA Group. FSI US provides discretionary management services to institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSI UK. FSI US may serve as a sub-adviser for accounts or clients for which one or more CFSGAM affiliates serve as investment manager or investment adviser. FSI US may receive services, including but not limited to investment advisory services, from certain affiliates. For example, in the areas of legal and compliance,

risk management, human resources, finance, information technology, trade support, back and middle office support, and sales and marketing, services are provided or received and employees are shared between FSI US and various affiliates.

FSI UK has adopted a Code of Ethics (the “Code”) that requires all Supervised Persons (including Access Persons) to:

- Act with integrity, competence and in an ethical and professional manner;
- Always act in the best interests of our clients;
- Comply with all applicable US federal securities laws, as well as all other applicable laws and regulations; and
- Promptly report any violation of the Code of Ethics.

### **Definitions:**

**Supervised Person:** any partner, officer, director (or other person occupying a similar status or performing similar functions) or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

**Access Person:** a supervised person who has access to non-public information regarding clients' purchase or sale of securities, is involved in making securities recommendations to clients or who has access to such recommendations that are non-public.

All Supervised Persons have received a copy of the Code and are required on an annual basis to confirm that they have read and understood the content.

The Code includes policies which will ensure the standards detailed above are adhered to and include:

### **Protection of Material Non-public Information**

It is a crime in the US and many other countries to transact in a company's securities while in possession of material non-public information about the company. Questions regarding perceived material information should be directed to a member of the FSI UK Risk & Compliance staff. Supervised Persons are responsible for safeguarding non-public information relating to securities recommendations, fund and client holdings. As such, Supervised Persons should not trade based on FSI UK's 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 UK (except those retained to provide services for FSI UK).

### **Personal Securities Trading**

An investment adviser is required to designate the categories or sub-categories of persons covered by its Code or portions of its Code. Rule 204A-1 requires this Code to cover FSI UK's 'Supervised Persons'. A subset of these Supervised Persons, known as 'Access Persons', are required to comply with specific reporting requirements in relation to personal account trading. Rule 204A-1, contains a presumption that, if the firm's primary business is providing investment advice, then all of its directors, officers and partners are Access Persons.

All FSI UK Supervised Persons are subject to personal trading restrictions as required. There are additional pre-clearance and reporting requirements applicable to Access Persons.

Additional personal trading restrictions also apply, through policies adopted outside the Code, to all FSI UK personnel and their associates such as their partner. In summary, generally pre-approval is required for transactions in listed securities other than immaterial amounts. These restrictions operate in addition to the requirements of this Code and their effectiveness is monitored by the relevant global Risk & Compliance teams.

### **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 UK Supervised Person 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 UK 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
- Avoiding situations where an actual or potential conflict cannot be effectively managed by either disclosure or control.

### **Outside business interests and affiliations**

To manage conflicts of interest, inside information and other compliance and business issues, FSI UK maintains a record of its Supervised Persons serving as officers or members of the board of any other entity. Advice must be obtained through the Chief Compliance Officer and management where there is a perceived potential conflict of interest. FSI UK can deny approval where the perceived conflict of interest cannot be managed effectively. This prohibition does not apply to service as an officer or board member of any parent or subsidiary of FSI UK or any not-for-profit or charitable foundation, organisation or similar entity.

FSI UK may from time to time invest in the same securities that First State Investments International Limited, Colonial First State Asset Management (Australia) Limited and/or First State Investments (Singapore), First State Investment Management (UK) Limited, First State Investments (US) LLC is also currently invested. Portfolio management and security recommendations are undertaken at an investment strategy level and each investment team managing these strategies is organised separately. Information barriers and other controls exist between investment teams to manage any potential conflicts that may arise.

You may request a copy of our Code of Ethics by writing to the Chief Compliance Officer, First State Investments International Ltd., Finsbury House, 15 Finsbury Circus, London, EC2M 7EB, UNITED KINGDOM.

## **12. Brokerage practices**

## First State Investments

Based on the nature of its investment management services, FSI UK generally delegates discretion for portfolio management and brokerage activities to affiliated sub-advisors. The sub-advisors are SEC registered investment advisers and have developed policies and procedures in accordance with the applicable regulations and CBA Group requirements.



### **13. Review of accounts**

We regularly review the Funds. The frequency of that review is determined by the nature of the Funds and includes periodic reviews of performance, investment activity and outlook. Normally these reviews will be carried out by the named Portfolio Managers or other qualified members of the investment team.

Periodic written data, including valuations and transaction information, is usually provided on a monthly basis, along with quarterly factsheets.

The investment teams run a quarterly webcast where performance is reviewed and topics are discussed which are relevant to the Funds. Investors of the Funds can dial into these webcasts and replays are available after the event.

The Stewart Investors Investment Committee and the Colonial First State Global Asset Management Investment Committee have responsibility in relation to all relevant funds and portfolios under the management of FSI UK and regularly review 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, the Funds would be reviewed and appropriate action and communication undertaken promptly.

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

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

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

## **15. Custody**

Because FSI UK is authorised to deduct fees from the Funds' accounts and because FSI UK provides payment instructions to the custodian of the Funds, FSI UK is deemed to have custody of the Funds' assets within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940. Physical custody of the Funds' assets is with a qualified custodian.

## **16. Investment discretion**

We have authority to manage the First State Investments Delaware Statutory Trust and the First State Investments Group Trust on behalf of clients, in accordance with the relevant offering documentation which sets out the investment objectives of the Funds and any limits which may be imposed on the Funds.

## **17. Voting client securities**

Because FSI UK delegates portfolio management responsibility to sub-advisors, FSI UK generally does not exercise voting authority over securities held in the funds. The sub-advisors of the funds have in place a comprehensive corporate engagement policy that describes how they vote on various issues, taking into consideration the best interests of the investors.

The corporate engagement policy or a record of voting of a fund's securities can be obtained by writing to our Chief Compliance Officer.

## **18. Financial information**

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

For further information

First State Investments (UK) Limited

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Registered in the United Kingdom with company  
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