



MGH ASSET MANAGEMENT

FORM ADV PART 2A: Firm Brochure

MGH Asset Management Limited

11, 14-20 Alpha Street
Wellington, 6011
New Zealand

+64 4 3845271

www.mgham.com

26 June 2019

This brochure provides information about the qualifications and business practices of MGH Asset Management Limited. If you have any questions about the content of this brochure, please contact us at +64 4 3845271 or email us info@mgham.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 MGH Asset Management is available on the SEC website at: www.adviserinfo.sec.gov.

MGH Asset Management Limited is registered with the US Securities & Exchange Commission. Registration as an Investment Advisor does not imply any level of skill or training.

Item 2: Summary of Material Changes

This item discusses only the material changes that have occurred to this brochure since MGH Asset Management Limited's last annual update dated 27 June 2018.

While certain information has been updated, MGH Asset Management Limited has not made any material changes to the content of the brochure.

If you would like a copy of our brochure please contact us by telephone on: +64 4 3845271 or by email info@mgham.com.

Item 3: Table of Contents

Item 1: Cover Page	1
Item 2: Summary of Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance Based Fees and Side-by-Side Management Performance Fees	6
Item 7: Types of Clients	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9: Disciplinary Information	10
Item 10: Other Financial Industry Activities and Affiliations	10
Item 11: Code of Ethics	11
Participation or Interest in Client Transaction.....	11
Personal Trading	11
Item 12: Brokerage Practices	12
Item 13: Review of Accounts	13
Item 14: Client Referrals and Other Compensation	13
Item 15: Custody	13
Item 16: Investment Discretion	13
Item 17: Voting Client Securities	14
Item 18: Financial Information	14

Item 4: Advisory Business

Firm Description

MGH Asset Management Limited (“MGH Asset Management” or “MGH AM” or the “Firm”) is an independent investment management firm providing investment management services to the MGH Investment Fund Limited, a global equities fund.

MGH Asset Management is a New Zealand registered company founded in October 2002 by its Directors, Michael Gibbs-Harris and Molli-Jamie Gibbs-Harris. The principal shareholder of MGH AM is the Gibbs-Harris Family Trust (98%) while the remaining shareholding is held by MW Gibbs-Harris (1%) and M-J Gibbs-Harris (1%).

The Trustees of the Gibbs-Harris Family Trust are the Brandons Independent Trustee Company Limited (75%), Michael Wyn Gibbs-Harris and Molli-Jamie Gibbs-Harris (25%). The main trustee, Brandons Independent Trustee Company Limited, is an independent professional trustee company owned by the Brandons Legal Partnership.

MGH Asset Management has \$17,917,881 of assets under management as at March 31, 2019, all assets are managed on a discretionary basis.

Investment Management Services

MGH Asset Management was appointed as the investment manager to the MGH Investment Fund Limited (MGH Investment Fund or MGH IF) a private fund in December 2002. The Fund is an exempted limited liability company incorporated in the Cayman Islands and is listed on the Euronext Dublin (formerly Irish Stock Exchange) as an Investment Fund under the SEDOL number B1Z8H93.

The MGH Investment Fund is suitable only for prospective investors who are professional investors or investors who do not require immediate liquidity for their investment. Prior to making any investment in the Fund investors and prospective investors should carefully review the Fund’s offering memorandum for a comprehensive understanding of the terms and conditions applicable for investment in the MGH Investment Fund Limited.

Item 5: Fees and Compensation

Management Fee

The Investment Manager receives a management fee equal to 1.5% per annum of the Net Asset Value (NAV) of each class of Share. The fees are calculated at each month end plus or minus a Performance Fee which will be based on the Fund's performance relative to the Morgan Stanley Capital International Index (MSCI). Details for the method of calculating performance fees is noted in Item 6 Performance fees.

Other Fees and Expenses

In addition to management fees, the MGH Investment Fund will pay expenses reasonably ascribed to its operations. These expenses typically include, but are not limited to, costs and expenses in connection with purchasing, holding, selling or exchanging securities and other assets, including brokerage fees; fees and expenses in connection with the maintenance of bank, brokerage or custodial accounts; legal (including offering document updates and supplements), accounting, administration, auditing, bookkeeping, tax compliance services and tax return preparation, performance verification, consulting, valuation and other professional fees and expenses; transfer agent fees and expenses; directors' fees and expenses;

Prepayment of Fees

The MGH Investment Fund fees and expenses are generally paid in arrears, although some fees such as registered office fees, director fees and annual regulatory fees may be paid in advance.

No Compensation for the sale of securities or other investment products

MGH Asset Management and its employees do not accept compensation, including sales charges or service fees, from any person for the purchase or sale of securities or other investment products.

Item 6: Performance-Based Fees and Side-By-Side Management fee

Performance Fee

The performance fee will be based on the Fund's performance relative to the Morgan Stanley Capital International Index (the benchmark) and will be a maximum of 2% per annum of Net Asset Value. The fee is payable if the Fund's return is superior to that of the benchmark over the three years ending on the date of calculation (the monthly pricing and dealing date) or since the inception of the Fund, whichever time period is shorter. There will be a negative fee of a maximum of 0.5% per annum if the Fund's return is inferior to the benchmark over the previous three years or since the inception of the Fund whichever time period is shorter. The amount of the performance fee (positive or negative) is pro-rated with the maximum or minimum occurring if the Fund out (or under) performs the benchmark by 25%. Thus, if the Fund outperforms (underperforms) the benchmark by 10% then the annualized performance fee will be 10/25 of 2% (or a deduction of 10/25 of 0.5%). For purposes of calculating the performance fee, the Fund's return is defined as the percentage change in the NAV per share before the performance fee. All capital gains (losses) and other income and expenses are included. The monthly fee is calculated as:

$$((F-R)/25\%)*2/12\% \text{ (if } F>R \text{) (with a maximum fee of 2\%)}$$

or

$$((F-R)/25\%)*0.5/12\% \text{ (if } F<R \text{) (with a maximum negative fee of 0.5\%)}$$

where F= Return of the Fund & R= Return of the MSCI World Index (Gross)

The Investment Manager shall defer payment of its Performance Fee for a period not less than three years. Any such deferred amounts payable to the Investment Manager will be treated, and the amounts eventually payable at the end of such deferred periods will be determined, as if such deferred amounts had been invested in Shares on the first day following the month that they were earned and redeemed as of the last day of the deferred period. The deferred fees and amounts of net profits if any, allocated to such deferred fees will be paid after the end of the deferred period.

The deferred amounts payable to the Investment Manager shall be carried on the Fund's books as a liability. The period of deferral may be shortened if, in the opinion of the Fund's independent directors' exceptional circumstances (including, but not limited to, a winding up of the Fund, a change of Manager of the Fund, or a change of control of the Manager) have occurred.

Side-By-Side Management fee

Side by Side management fees do not apply

Item 7: Types of Clients

MGH Asset Management provides investment management services to its sole client the MGH Investment Fund Limited, a private fund.

Shares in MGH IF are not registered securities under the Securities Act of 1933, as amended (the “Securities Act”), and MGH IF is not registered as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Investors participating in MGH IF must be investors for whom an investment in the Fund does not constitute a complete investment program and who fully understand and have the financial resources necessary to withstand the risks involved in the Fund’s specialised investment program.

Investors in the Fund must qualify as an accredited investor per the definition under the Securities Act of 1933 or similar state statutes as amended and must further qualify as a “Qualified Client” as set forth in Rule 205-3(d) of the Investment Advisers Act of 1940, or similar state statutes as amended.

Generally, the definition for an **accredited investor** is a natural person who:

- (i) has at a net worth of at least \$1,000,000 (excluding the value of their primary residence) solely or jointly with their spouse; or
- (ii) has at least \$200,000 in annual income (\$300,000 joint income with spouse) in the last two years with a reasonable expectation of the same or higher salary in the current year.

Currently, the term **qualified client** means a natural person or entity who:

- (i) has at least \$1,000,000 or more of assets under the management of the investment adviser after the investment in the fund; or
- (ii) has a net worth of more than \$2,000,000 (individually or jointly with their spouse, excluding the value of their primary residence) prior to investment in the fund.

MGH AM is also able to provide investment management services to qualified clients such as: high net worth individuals, pension and profit-sharing plans, banks or savings institutions, family offices, trusts, endowments or charitable organizations and or other business entities not listed above.

Minimum Investment

Eligible qualified investors are able to participate in the MGH Investment Fund with an initial minimum investment of \$100,000 and any subsequent minimum investment of \$10,000.

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

Methods of Analysis:

Our investment approach may be described as macro top-down with a value bias.

This means we take a comprehensive view of the global economy and the markets of North America, Western Europe and the emerging markets of Asia, Latin America and Eastern Europe. Our value bias means as investors we actively seek stocks where the current price does not reflect the value of the underlying business because the price has failed to consider the company's growth prospects, the value of its dividend stream or company assets.

In implementing our approach, we may utilise security analysis methods of charting, fundamental analysis, technical analysis and cyclical analysis. In addition, we will use research generated from both internal and external sources such as financial newspapers and magazines, industry publications, research materials prepared by others, government and economic reports, company annual reports, press releases and websites.

To identify attractive equity markets, we use a proprietary model developed and applied successfully over the last 25 years which ranks over 40 markets in attractiveness depending on such variables as short and long-term interest rates; absolute valuation levels such as price to book values, dividend yields and price/earnings ratios; return on equity and dividend pay-out ratios; and free liquidity in the economy. For bond markets, we consider similar factors plus inflation: the portfolio may invest in index-linked bonds (TIPS) if they provide good real returns and act as a protection against a surge in inflation. We also review and decide on any themes we want to emphasize or avoid in the portfolio such as having a view about a currency, the direction of inflation, or the valuation accorded to the rise of a new technology. We then decide (with an overarching view of currency exposure) on the equity/cash split and then where on the yield curve we want to position the cash/bond/index-linked portion. We may then decide a particular bond market is attractive and we then select depending on the shape of the yield curve a specific bond, normally sovereign. We turn then to look at equities. If a new market looks attractive, we will run a simple value screen (low price-earnings (PE) ratio, high yield, low Price to Book) and obtain a universe of about 20 stocks which look reasonable. We will examine those stocks in more detail until we are satisfied with 4-6 stocks and will purchase these - normally equally weighted. At the same time, we will consider the effect on the overall portfolio in terms of geographical and sectoral exposures.

For existing markets, assuming they remain attractive, we will review existing holdings and check that they remain more attractive than other competing stocks. The Fund has low turnover (typically less than 50% per annum). Our investment horizon is typically 9-18

months but if circumstances change in a shorter time period then we will alter the portfolio accordingly. We are not market timers or short-term traders.

Investment Strategy

Our objective is to deliver real long-term total returns in US dollars by investing in global financial markets. We aim to achieve our objective by identifying attractive assets (such as cash or bonds) which offer an appealing real risk-free rate of return or where the potential return from riskier assets (equities) is greater than the risk-free rate. We will also identify themes which help us determine the attractiveness of different markets or specific securities. To increase the likelihood of superior returns we purchase securities which we believe are selling at a significant discount to their intrinsic worth. All else being equal we prefer to purchase stocks with a high dividend yield and low price to asset value as we feel that this provides us with some protection against losses.

Although our aim is to provide real absolute returns, we compare our performance to the world equity index (the Morgan Stanley Capital International Gross World Developed Index in US dollars) as this is the widest measure for measuring the return for global share-markets.

At times, we will hold substantial portions of the portfolio in cash or bonds if we feel that they provide a more attractive potential return, adjusted for risk, than equities. Our approach has more in common with a tortoise than a hare: by accepting lower but safer returns when risks are high, we preserve capital allowing us to invest when markets sell off and potential returns increase once more.

Risk of Loss

Our investment objective is to deliver above average long term returns with below average risk. However, we cannot give an assurance the investment fund will achieve its objective or avoid substantial losses. Investing in securities involves significant risks and the potential risk of loss that clients should be prepared to bear.

Many factors may influence a portfolio's performance and the risks we would like to bring to the particular attention of prospective investors are the following:

- **Market Volatility:** The value of equity and fixed income securities fluctuate in response to actual and unclear external events and conditions such as political, economic and social. Thus, the value of portfolios and their underlying investments can fall as well as rise.
- **Currency Risk:** A form of risk that arises from the change in price of one currency against another. MGH Investment Fund is designed to obtain real returns in US

dollars and is managed with that aim. Investors who live outside the US and/or whose base currency is not USD may therefore be subject to currency risk. At the same time, to the extent that MGH Investment Fund invests in markets outside the US, the value of those investments is determined partly by the performance of the investments' underlying currencies.

- **Interest rate risk:** Fluctuations in interest rates may cause investment prices to rise and fall. Interest rate risk affects the value of bonds more directly than equities and is a major risk for all bondholders. Rising interest rates mean that bond prices fall. At the same time, rising bond rates (falling bond prices) may affect the price of equities—generally rising interest rates are considered bad for shares.
- **Inflation risk:** The concern of inflation risk is that the rate of price increases in the economy erodes the real level of investment returns. Rising inflation means that nominal (stated) investment returns have to be higher in order to be greater than inflation.

Item 9: Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our business or the integrity of our management.

MGH Asset Management does not have any firm or individual legal or disciplinary disclosures to make.

Item 10: Other Financial Industry Activities and Affiliations

Financial Industry Activities

MGH Asset Management Limited is a New Zealand registered company. As a financial services company, we are registered on the New Zealand Government Financial Services Provider Register, registration no: FSP40722. Information concerning the register is available at: www.business.govt.nz/fsp/about-the-fspr.

Financial Industry Affiliations

MGH Asset Management does not have any material relationships with other financial industry participants.

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

Code of Ethics:

MGH AM has adopted a Code of Ethics designed to comply with Rule 204A-1 of the Investment Advisers Act of 1940. The Code establishes the standards of conduct expected of all MGH AM employees and is reasonably designed to, among other things; govern the personal securities trading activities of employees; prevent the misuse of material non-public information by MGH AM or any of its employees and or any other forms of prohibited or unethical business conduct.

The Code is based upon the principle that MGH AM and its employees will conduct their business relationships, including their personal securities transactions, in such a manner as to place the interests of our client first and to avoid (i) serving their own personal interests ahead of our client, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Our employees are expected to adhere to the highest ethical standards and principles of good business practice in their conduct of company affairs and in their relationships with our client and with colleagues.

A copy of our Code of Ethics is available on request. You may request a copy by emailing the Compliance Officer at info@mgham.com.

Personal Trading:

MGH AM employees may personally invest in securities and trade for their own accounts on the understanding they adhere to the terms of our Code of Ethics and all applicable laws.

The principles that govern the personal investment activities of our employees are:

1. The employee's duty at all times is to place the interests of the clients first;
2. All personal securities transactions must be conducted in such a manner as to be consistent with the Code of Ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
3. MGH AM employees will not take inappropriate advantage of their positions;
4. That information concerning the identity of security holdings and financial circumstances of our client is confidential; and
5. The principle that independence in the investment decision-making process is paramount.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of MGH AM's client. In addition, the Code requires pre-clearance of other transactions, and restricts trading in close proximity to our client's trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as our client there is a possibility that an employee might benefit from market activity by our client in a security held by the employee. Employee trading is routinely monitored to reasonably prevent conflicts of interest between MGH Asset Management and its client.

Participation or Interest in Client Transactions.

MGH AM does not purchase or hold any securities or other investments for its own account. MGH AM does not engage in principal transactions and it does not cross transactions between accounts.

Item 12: Brokerage Practices

Broker Selection

MGH AM is not a frequent trader and has a low turnover ratio. It takes a medium (9 -18-month view) when establishing a position. Its philosophy is that every trade imposes a cost on the portfolio, and therefore the potential benefit from the trade must be greater than the cost. Therefore, MGH AM is less interested in high turnover at low cost, preferring low turnover at a fair cost.

MGH AM uses a limited range of brokers. This is mainly due to its relatively small size. The choice of these brokers is determined by:

1. Research - by both the firm and, to a lesser extent, that of the individual assigned to cover MGH AM.
2. Execution ability
3. Geographic coverage
4. Settlement capabilities

Because of MGH AM's small size and small amount of brokerage paid, it does not expect to receive 'bulk discount' rates i.e. other firms may obtain cheaper rates. However, we do want to receive reasonable brokerage rates and rates are monitored on every trade. Brokerage is reviewed quarterly to check volume and rates. To a certain extent volume is driven by geography; for example, a Thai Broker will not receive any volume if the Fund has no exposure to Thai shares.

Research and Soft Dollars

MGH AM does not engage in any soft dollar arrangements and we do not use brokerage commissions to obtain research or other products and services.

Brokerage for Client Referrals

MGH AM does not receive client referrals from any broker-dealers.

Directed Brokerage

MGH AM provides discretionary investment management to its client, MGH IF and, as such, has discretionary authority for broker selection. All MGH AM client transactions are executed on the basis of best execution.

Item 13: Review of Accounts

Each month the MGH IF Fund Administrator, Charter Group Fund Administration Ltd, will provide to each investor a copy of their Net Asset Value statement. We, MGH AM, provide a monthly performance report and each quarter a commentary that summarises the fund's performance, discusses recent investment activity, stock valuations and a commentary on the portfolio managers' current views.

Annually, all investors to the Fund will receive a copy of the Fund's Audited Financial Statements and a copy of the semi-annual interim financial statements from the Fund Administrator.

Item 14: Client Referrals and Other Compensation

Economic benefit from a third party (non-client) for providing advisory services.

MGH AM does not receive any economic benefit from a third party (non-client) for providing investment advice or other services to clients.

Compensation for Client Referrals

MGH AM has a third-party marketing arrangement with P&C Global Wealth Managers. P&C Global Wealth Managers provide a capital introduction service to professional and institutional investors such as banks, family offices and capital managers.

P&C Global Wealth Managers will receive a payment of one-third of the performance and management fees for any capital introduced to MGH AM.

As at 31 March 2019 P&C Global Wealth Managers have not made any capital introductions or referrals and no payments have been made to them.

Item 15: Custody

MGH Asset Management does not have custody of the Fund's assets.

Assets of the MGH Investment Fund are held by the Custodian, Deutsche Bank AG, Singapore Branch.

Item 16: Investment Discretion

MGH AM has the discretionary authority to make determinations regarding the securities that are to be bought and sold as well as the quantities of such securities on behalf of the Fund. Such authority was provided in the Investment Management Agreement dated 31 December 2002.

Item 17: Voting Client Securities Proxy Voting

MGH AM will vote proxies on behalf of the MGH Investment Fund Limited. We have established policies and procedures to ensure that proxies are voted in an appropriate manner. MGH AM will vote proxies in the best interests of the Fund. Each proxy issue will be considered individually. The following is a summary of the voting guidelines used in voting proposals however the guidelines are not used as rigid rules.

Proposals will be determined to be either routine or non-routine and handled accordingly. Routine proposals are those that do not change the structure, by-laws or operations of the corporation to the detriment of the shareholders and given the nature of these proposals' proxies will generally be voted with management. For those non-routine proposals received the Portfolio Manager will review the circumstances of the proposal and consider whether the proposal will be in the best interests of the Fund prior to submitting a vote. MGH AM may abstain from voting or decline a vote in instances where there appears to be no relationship between the issue and the enhancement or preservation of an investment's value.

MGH AM intends to process every proxy it receives for all domestic and foreign securities; however, there may be situations in which we are unable to vote a proxy, or chose not to vote a proxy, such as where: (i) the proxy ballot was not received from the custodian, (ii) a meeting notice was received too late; (iii) fees are imposed upon the exercise of a vote and it is determined that such fees outweigh the benefit of voting; (iv) there are legal encumbrances to voting; (v) shares were held on record date but were sold prior to the meeting date; or (vi) other reasons not stated herein where MGH AM believes it is not in the best interest of the Fund to vote the proxy.

Investors of the MGH Investment Fund Limited may obtain a copy of our proxy voting policy and or how MGH AM has voted securities held in the fund by contacting us via email: info@mgham.com.

Item 18: Financial Information

Prepayment

MGH Asset Management does not require or solicit pre-payment of advisory fees from its client.

Financial Condition

MGH Asset Management has not been subject to a bankruptcy petition at any time in its existence and does not consider there to be any financial condition which is reasonably likely to impair its ability to meet its commitments to its client.