



**Item 1. Cover Page**

**ADV Part 2A Brochure:**

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This brochure provides information about the qualifications and business practices of Highclere International Investors LLP (“Highclere”). Questions about the contents of this brochure should be directed to Fergal Gilmour, Chief Operating Officer at [fgilmour@highclereinvestors.com](mailto:fgilmour@highclereinvestors.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), any other state or federal regulatory authority, any foreign regulatory authority or any self-regulatory body.

Additional information about Highclere is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Highclere has not authorized any third party to provide information in connection with its investment program or investment operations.

Highclere is a registered investment adviser. Please note that being a registered investment adviser does not imply, in any way, a certain level of skill or training.

**February 2024**

## **Item 2. Material Changes**

Highclere carried out the annual update of Form ADV and the brochure in April 2023. The following material changes have been incorporated since the last annual update:

None

Copies of the historic ADV Part 2 documents prepared by Highclere or its predecessor entity (HII Limited) are available upon request.

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#### Item 4. Advisory Business

##### *History*

Highclere International Investors LLP (“Highclere”) is a private investment management company established in May 2006. Highclere’s principal business objective is to specialize in international small and mid-cap investment primarily on behalf of investors based in the United States through privately offered, unregulated collective investment schemes.

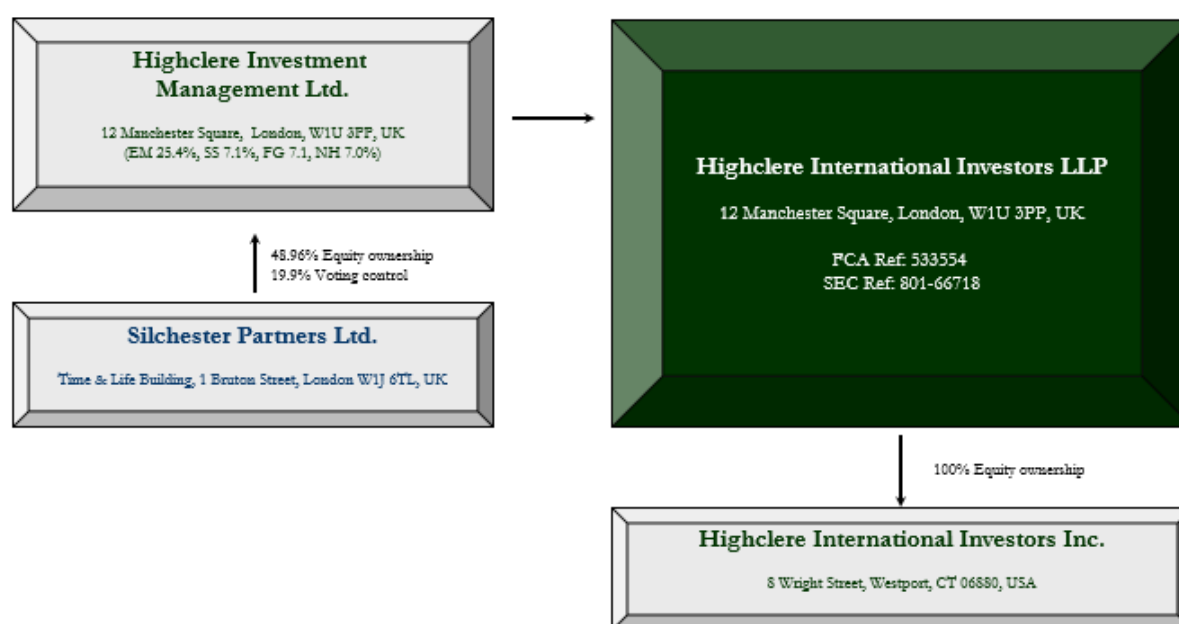
Highclere was registered by the FSA (now FCA) on May 3, 2006, and by the SEC on June 7, 2006.

##### *Structure*

All Fund Management and Operations are conducted by Highclere, a private Limited Liability Partnership. All Marketing and Client Servicing is directed by Highclere International Investors, Inc. a wholly-owned US subsidiary.

Highclere is a UK limited liability partnership. As of March 31<sup>st</sup>, 2023, Highclere had twelve (12) individual partners and eight (8) employees. Highclere Investment Management Limited (“HIM Ltd”) is a corporate partner and owns a majority (>90%) of Highclere’s capital. The remaining capital has been contributed by the partners.

A structure chart highlighting Highclere’s organisation structure and material direct and indirect owners follows.



##### *Types of Services Offered*

Highclere provides discretionary investment management services to its Clients. Highclere has a single primary investment focus: international (ex-US) small and mid-cap equity. Highclere currently offers small and mid-cap exposure through four long-only privately offered, unregulated collective investment schemes. Highclere does not typically accept separate accounts.

The International Smaller Companies program launched in June 2006. This has a microcap tilt and is focused on the most inefficient priced end of the universe.

The Highclere International Investors SMID program launched in July 2008. It has a high-quality bias and is a more concentrated portfolio of ideas that, for the most part, have grown out of our smaller companies’ research.

The Highclere International Special Situations program was launched in October 2020. This fund was re-named The Highclere International Quality Value Fund in December 2021. This is a concentrated portfolio with a quality focus across the wider cap range in out of favor sectors.

The Highclere International Quality Growth Fund was launched in April 2022. This is a concentrated portfolio with an open mind towards growth and value ideas.

Highclere does not customise or modify its investment programme based on individual investor needs. Unitholders in either of the commingled funds are not permitted to impose restrictions on investing in certain securities or types of securities.

Highclere does not participate in wrap fee programs.

Highclere is also regulated by the UK Financial Conduct Authority (FCA)

Discretionary assets under management were \$2.9bn as at March 31<sup>st</sup>, 2023.

## **Item 5. Fees and Compensation**

Highclere operates four commingled funds for US investors:

1. The Highclere International Investors Smaller Companies Fund (“HII SCF”)
2. The Highclere International Investors SMID Fund (“HII SMID”)
3. The Highclere International Investors Quality Value Fund (“HII QVF”)
4. The Highclere International Investors Quality Growth Fund (“HII QGF”)

	<b>HII SCF</b>	<b>HII SMID</b>	<b>HII QVF</b>	<b>HII QGF</b>
	<b>% Per Annum</b>	<b>% Per Annum</b>	<b>% Per Annum</b>	<b>% Per Annum</b>
First \$25m	1.00	0.95	1.20	1.20
Next \$25m	1.00	0.85	1.05	1.05
Next \$25m	0.95	0.75	0.95	0.95
Next \$25m	0.80	0.70	0.90	0.90
Thereafter	0.80	0.65	0.90	0.90

Fees are paid by each Unitholder invested in the Funds based upon the market value of the Units held by the Unitholder rather than the value of the Fund itself. Fees are not negotiable. Some seed investors received a discount at inception. Fees are normally payable monthly in arrears and are normally paid via the redemption of part of the Units held by each Unitholder in a Fund on a monthly basis. The management fee is paid whether or not the Fund is profitable in a given month. If an investment in the Fund is held for less than a month, the Custodial Trustee will pro rate the management fee to reflect the number of days in the month the investment was actually held. Unitholders will incur brokerage and transaction costs as described in Item 12, ‘**Brokerage Practices**’.

Highclere does not typically accept separate accounts under an IMA. However, Highclere may employ temporary separate accounts to facilitate investment into or withdrawals out of its Funds.

The Funds pay their own direct trading expenses, clearing fees, and other exchange fees and charges. The Funds are obligated to pay all income and other taxes related to their underlying investments. In addition, the Funds may be required to reimburse Highclere or the third-party service providers to the Funds for legal expenses incurred that Highclere deems to be necessary to protect the Unitholders (e.g., extraordinary legal expenses such as those incurred in connection with litigation to protect or promote the investment rights or obligations of the Funds (as applicable) and legal or accounting expenses incurred in connection with reclaiming foreign withholding taxes).

Highclere pays all routine legal, audit and accounting fees related to the Funds as well as annual audit fees and tax return expenses (if any). Highclere pays any fees payable to the Custodians, Trustees, Fund Administrators, Managers, Managing Members, Auditors, Tax Advisors and other similar service providers

of the Funds. The Funds are not required to reimburse Highclere in the event that the investment management fees are insufficient to cover the expenses borne by Highclere.

Investors invested in separate accounts or transition accounts pay their own direct trading expenses, clearing fees, and other exchange fees and charges.

#### **Item 6. Performance-Based Fees and Side by Side Management**

Highclere does not charge performance-based fees to any of the Funds or to any Unitholders.

#### **Item 7. Types of Clients**

Each Fund, and not the underlying Unitholders in each Fund, is considered a Client pursuant to Rule 203(b)(3)-1 of the Investment Advisers Act of 1940. Highclere makes investments on behalf of the Funds for the benefit of the underlying Unitholders in each respective Fund. Units are sold only to Unitholders that qualify as “**accredited investors**” and “**qualified purchasers**” under applicable securities laws.

The minimum initial subscription for Units in each of the Funds is US\$2m.

Highclere may use temporary separate accounts and transition accounts to facilitate investment into or withdrawals out of its Funds. The term “client” refers to each Fund and to any investor using a temporary security account.

##### *Sideletter Agreements*

It is Highclere’s policy not to agree to any sideletter or other similar agreements that grant any Unitholder or group of Unitholders preferential rights with respect to management fees, the payment or timing of redemptions, indemnification by Highclere, the law governing Highclere’s and each Unitholder’s responsibilities under the governing documents for the Funds, or access to Fund level data. Our sideletter agreements tend to deal with operational matters. As a matter of policy, we do not offer investors preferential rights to data, redemption rights, or reductions in investment management fees. It is Highclere’s intention and expectation, that we will incorporate side letter terms within the offering documents at the earliest opportunity. We will provide a copy of a Fund’s sideletter summary to any current or prospective investor upon request and will discuss the contents of any sideletters with any current or prospective investor.

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

##### *Investment Strategy and Analysis – International Equity Programme*

Highclere’s investment objective is to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the United States. As many companies have multinational operations, a company’s location will ordinarily be determined by factors such as (i) its jurisdiction of incorporation, (ii) the location of its head office, primary market, significant sources of revenues, income or the location of its assets, or (iii) its classification as determined by various market indices.

We are flexible in our approach to investing in companies, not limited by a particular style bias. We focus on absolute returns and expect to own a balance of early stage growth and recovery stocks in the portfolio. The balance of growth and recovery within the portfolio will be dictated by the opportunities that present themselves in our investment universe. At any one point in time we aim for the portfolio to represent a collection of attractively valued small and mid-cap stocks. We maintain a decent level of portfolio turnover in order to sell or trim stocks which become too expensive, or where quality is fading, and reinvest the proceeds in better quality, more attractively valued stocks. Simply trimming and adding to existing positions in response to short term volatility also helps to preserve the attractiveness of the overall portfolio.

Our process has a bias to higher quality, less leveraged, attractively valued companies. We believe that over the longer term this is the best strategy for enhancing the wealth of our clients. There will be times when

we will do less well than our benchmark or peer group, typically when liquidity is flowing towards stocks with high financial leverage, or when a particular theme or concept overtakes what we believe to be rational valuations.

Our investment decision process is systematic, methodical and research-driven. Our ideas are generated by database screening to identify companies which meet our growth and valuation criteria; analysis of eight to ten year relative price performance charts versus local markets to find ideas and growth trends; financial analysis to identify the strength and liquidity of the balance sheet and cash flow; and fundamental analysis of each company's products, franchise, market opportunity and management. For each company, a succinct research report is written with conclusions summarized under five key headings: quality, value, insight, target price, and recommendation.

We use several different sources to generate investment candidates from the different universes of stocks, including quantitative screens (for example EPS growth, P/E), relative chart screens, corporate actions (IPOs), company referrals, local brokers and proprietary Highclere research derived from company visits. We then ascertain whether the company meets our criteria:

The first question we ask ourselves is whether a company is a good company. Will it use shareholder capital competitively, creatively and efficiently? Is it focused on its product or services? Can we understand the business? Is the company competitive, can it sustain this position? Is the management motivated and high quality? Foremost in our minds is the need to perform our fiduciary duty, assessing companies as to whether they deserve to be invested in by our clients. Secondly, we test to see if it is an attractively valued stock. Our valuation methodology reflects the nature of the underlying corporate business model. All valuations are fluid, are measured in relation to likely profitability and growth, and incorporate measures of creditworthiness. We are happy to measure returns to shareholders in earnings, dividends or asset value as appropriate.

Our investment team are responsible for the research and integration of ESG analysis into our bottom up investment process. We engage directly with companies and promote good and improving ESG practices across our investments. We believe that the analysis of Environmental, Social and Governance (ESG) factors positively contribute to the identification and characterization of quality companies. We believe that this adds more value when considering the financial impact of ESG issues than running large screens using poorly populated datasets.

Highclere has established investment parameters as to the amount of each Fund's portfolio invested in securities with particular characteristics, individual securities, and the securities of companies located in particular countries or regions. These investment parameters are outlined more fully in the Investment Guidelines set out in the confidential private offering memorandum for each Fund.

#### *Types of Securities*

Highclere will invest primarily in listed equity markets. Highclere is permitted to utilize a wide range of equity instruments in attempting to achieve its investment objectives, including both common and preferred stocks, convertible preferred stocks, convertible investment grade instruments, depository receipts, and to a limited extent, options and warrants on equity securities. Highclere is also permitted to invest in physical currencies and spot and forward currency contracts. Since purchases of foreign securities may give rise to unwanted foreign currency exposure, Highclere will analyze such exposures, and may, in its discretion, enter into hedging transactions in order to achieve a better balance of currency exposures. Such a transaction will normally be in the form of spot and forward currency contracts.

Subject to investment guidelines, Highclere may invest in (i) non-exchange traded securities including private placements and securities subject to transfer restrictions under Rule 144A or Regulation S of the Securities Act of 1933 or otherwise commit to acquire securities on a forward commitment basis, and (ii) unregistered and bearer securities. Highclere does not invest in futures or options on futures. However, Highclere may invest in, hold, and purchase, or otherwise acquire rights, stock options, stock coupons, warrants, and other similar investments issued, sold, or distributed by a portfolio holding as part of a corporate action or other similar transaction. Highclere may purchase the securities of issuers during an initial public or secondary offering of securities.

Companies involved in initial public or secondary offerings of securities typically have short operating and trading histories and generally are less established. The prices of securities issued as part of initial public or secondary offerings traditionally have been quite volatile. Highclere may also be required to agree to certain transferability restrictions as a precondition for participating in these types of security offerings.

#### *Frequency of Trading*

Over the course of a market cycle, Highclere would expect the turnover of its commingled funds to typically be in the range of 40-80% per annum. Highclere makes investment decisions on when to sell a security solely based on its investment criteria and does not take into account tax considerations. In other words, Highclere does not engage in “tax loss harvesting” strategies employed by other investment advisers.

#### *Strategy Risks:*

Investing in securities involves the risk of loss. Clients, in consultation with their financial, tax and legal advisors should understand this risk and be prepared to bear the risk of loss. There are a number of material risks associated with investing in small to mid-cap publicly traded non-US equity securities. These include, but are not limited to, the matters listed below. Further information on investment risks is disclosed in the confidential private offering memorandum of each Fund.

- *Investment in Companies with Smaller Market Capitalizations.* Companies with smaller market capitalizations have narrow shareholder bases, little support from traditional research analysts and limited shareholder relations efforts. Insiders and early-stage investors sometimes use the liquidity provided by public markets to lighten their positions. Public shareholders, including the Fund, may be in a minority shareholding position. Transactions costs associated with investing in companies with smaller market capitalizations can be higher than those associated with investing in larger companies. In addition, institutional interest in certain companies with smaller market capitalizations can be irregular and insufficient liquidity may be available to permit the Fund to accumulate or sell a given security position.
- *Global Market Exposure.* Subject to the Fund’s Investment Guidelines, the Fund invests on a global basis in non-U.S. securities in both developed and emerging markets. In doing so, the Fund is subject to (i) currency exchange-rate risk; (ii) the possible imposition of withholding, income, capital gains or excise taxes; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and little or potentially biased government supervision and regulation; (iv) financial, economic and political risks, including expropriation, currency exchange control and potential restrictions on foreign investment and repatriation of capital; and (v) global market turmoil.
- *Emerging Market Securities.* Subject to the Fund’s Investment Guidelines, the Fund may purchase the securities of issuers located in emerging markets. Holders of emerging market securities are subject to additional risks, including potential periods of illiquidity, increased price volatility, the volatility of emerging market exchanges due to smaller market capitalization, evolving clearance and settlement procedures, potential restrictions on foreign investment, security transfer and the repatriation of investment income and capital. The currencies in which emerging market securities are issued may experience significant declines against the U.S. dollar either as a result of market pressures or government devaluation. Trading in emerging market currencies may be subject to governmental or significant administrative restrictions or may only be tradable with certain approved counterparties. Approved counterparties are typically sub-custodians or sub-agents appointed by the Custodial Trustee. These factors may result in higher spreads being paid when the currencies associated with emerging market securities are traded. Inflation in emerging markets has historically been in excess of inflation in more established countries, increasing negative pressures on emerging market economies and markets.
- *Investment in Initial Public Offerings, Secondary Offerings and New Issues.* Subject to the Fund’s Investment Guidelines and to the extent permitted by law, the Fund may purchase the securities of issues during an initial public or secondary offering of securities as well as new issues. Companies involved in initial public or secondary offerings of securities typically have short operating and trading histories and generally are less established. The prices of securities issued as part of initial public or secondary

offerings traditionally have been quite volatile. The Investment Manager also may be required to agree to certain transferability restrictions as a precondition for participating in these types of security offerings.

- *Forward Contracts on Foreign Currencies.* Subject to the Fund's Investment Guidelines, the Fund engages in transactions in interbank spot and forward contract markets for foreign currencies. Forward contracts are not traded on exchanges; rather, a bank or dealer will act as agent or as principal in order to make or take future delivery of a specified lot of a particular currency for the Fund's account. Although the Investment Manager does not believe that the foreign currency market is necessarily more volatile than other commodity markets, such forward currency transactions may involve less protection against defaults than trading on exchanges. Generally, U.S. regulatory agencies and banking authorities do not regulate the trading of forward contract between institutional counterparties, although these contracts may be subject to certain margin limitations. There are generally no limitations on price movements of forward contracts. The Fund is subject to the risk of a principal's failure or inability or refusal to perform with respect to such contracts. The bankruptcy or insolvency of a principal with which the Fund has contracted, or the failure, inability or refusal of such principal to perform, would likely result in a default, thereby depriving the Fund of unrealized profits or forcing the Fund to cover its commitments for resale, if any, at the then market price. Assets of the Fund on deposit with such principals generally are not protected by the same segregation requirements imposed on regulated commodity brokers with respect to customer funds on deposit with them. Forward contracts will be transacted only with banks and dealers that the Investment Manager believes to be large and well capitalized. If the Investment Manager places trades for the Fund, the insolvency or bankruptcy of such party could also subject the Fund to the risk of loss. The Custodial Trustee acts as the principal counterparty to the Fund's spot and foreign exchange forward contracts. The Investment Manager does not require the Custodial Trustee to provide collateral to support unrealized gains related to the Fund's spot and foreign exchange forward contracts. Therefore, the collection of amounts due to the Fund is subject to the overall creditworthiness of the Custodial Trustee and the default by or bankruptcy of the Custodial Trustee could result in material losses to the Fund. In the event of an extraordinary event (or a dispute as to whether an event is "extraordinary"), volatility or irregularities in a given foreign exchange market, or for other factors, the Custodial Trustee may be unable to (or choose not to) execute the Fund's foreign currency transactions pursuant to the Investment Manager's direction. This could result in material losses to the Fund.
- *Options.* Subject to the Fund's Investment Guidelines, the Fund may from time to time acquire options for the Fund's account as part of a corporate action or other similar transaction. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment in the option (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires.
- *Warrants.* Subject to the Fund's Investment Guidelines, the Fund may from time to time acquire equity warrants for the Fund's account as part of a corporate action or other similar transaction. Equity warrants are securities that give the holder the right, but not the obligation, to subscribe for newly created equity issues of the issuing company or a related company at a fixed price either on a certain date or during a set period. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.
- *Price Fluctuations.* Prices of equity securities and other instruments, particularly those with smaller market capitalizations, are highly volatile. Prices are affected by a wide variety of complex and difficult-to-predict factors, including, but not limited to, supply of money, inflation, weather and climatic



conditions, changing supply and demand relationships, governmental activities and regulations, political and economic events and prevailing psychological characteristics of the marketplace. These same factors also can affect the securities markets adversely.

- *Position Limits.* Market regulatory authorities may, from time to time, establish limits as to the maximum number of shares that a discretionary investment adviser and its affiliated companies (such as the Investment Manager and its regulated affiliates) may hold or control in particular securities of a company without requiring the investment adviser to make an offer to purchase all the outstanding shares of the company or obtaining a regulatory waiver to hold a large position. Market regulatory authorities may also assess additional income, capital gain and withholding taxes in these situations. All accounts controlled by the Investment Manager and its affiliated companies may be combined for these purposes. It is possible that trading decisions of the Investment Manager and its affiliates may have to be modified such that a further position in a given company is not acquired or that positions held by the Fund would have to be liquidated to avoid exceeding such limits or that such limits may, in fact, be exceeded. This may influence the overall return of the Fund and its Unitholders.
- *Illiquidity.* Subject to the Fund's Investment Guidelines, the Fund may purchase investment instruments that later become illiquid or otherwise restricted. The equity securities of companies with small and mid-capitalizations are also less liquid than those of larger capitalization companies. The Fund might only be able to liquidate these positions at disadvantageous prices, should the Investment Manager determine, or it become necessary, to do so. The decision to hold or liquidate such securities is at the sole discretion of the Investment Manager. For example, substantial redemptions from the Fund could require the Fund to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to fund the redemptions. Illiquidity in certain markets could make it difficult for the Fund to liquidate positions on favorable terms, thereby resulting in losses or a decrease in the Net Asset Value of the Fund. In addition, although many of the securities that the Fund may acquire may be traded on public exchanges, each exchange typically has the right to suspend or limit trading in the securities which it lists. Such a suspension could render it difficult or impossible for the Fund to liquidate its positions and would thereby expose the Fund to losses. The Fund therefore may be locked into an adverse price movement for several days or more which may result in immediate and substantial loss to Unitholders.
- *Transactions on Non-U.S. Exchanges.* The Fund engages in trading on markets outside the United States. Transactions on non-U.S. exchanges are not regulated by U.S. governmental agencies, such as the SEC. As the Fund will determine its Net Asset Value in U.S. dollars, with respect to trading in non-U.S. markets, the Fund will be subject to the risk of fluctuation in the exchange rate between local currency and U.S. dollars. Any profits which the Fund might realize in any such trading could be eliminated by adverse changes in exchange rates or the Fund could incur losses as a result of any such changes. Some non-U.S. exchanges, in contrast to exchanges in the United States, may be "principals markets" similar to the forward markets, in which responsibility for performance is only that of the principal with whom a trader has entered into a transaction, and not of an exchange or clearing corporation. In some cases, a broker with whom the Fund enters into a transaction may in effect take the opposite side of trades made for the Fund. Because some non-U.S. exchanges generally lack a clearinghouse system such as that utilized by exchanges in the United States, market disruptions may be more likely to occur on non-U.S. exchanges and, in extreme circumstances such as the failure of a broker or other counterparty, the settlement of the Fund's security trades may be delayed or cancelled. To minimize the risk of broker or counterparty default and subsequent loss to the Fund, under normal circumstances, the Investment Manager will arrange for the Fund's security purchases and sales to be settled on a "delivery versus payment" basis. The Fund does not employ any prime brokers to execute the Fund's security transactions or to hold any of the Fund's assets.
- *Foreign Ownership Restriction Risk.* Certain governments impose restrictions on foreign investment in companies incorporated in their jurisdiction to address concerns such as those relating to loss of national sovereignty. In the event that the Investment Manager purchases securities which later become subject to foreign ownership restrictions, there may be a delay in the Investment Manager becoming aware of such restrictions. This may result in the compulsory sale or other disposition of the securities

in circumstances where the Investment Manager might otherwise prefer to retain the securities, thereby causing a loss to the Fund.

- *Cash Balances.* The Fund's U.S. dollar cash balances are currently invested in a money market fund sponsored by the Custodial Trustee. The Investment Manager may direct the Custodial Trustee to hold the Fund's U.S. dollar cash balances in other money market funds, deposit accounts or other vehicles in its sole discretion. The Fund could incur losses in the event that the net asset value of the money market fund was to fall below U.S. \$1.00 or if redemptions from this fund or such other money market funds, deposit accounts or other vehicles were restricted by the Custodial Trustee. The Fund's non-U.S. dollar cash balances are held in deposit accounts established by the Custodial Trustee at its various sub-agent banks. These deposit accounts are subject to counterparty and credit risk (for example, if either the Custodial Trustee or the sub-agent bank were to declare bankruptcy or otherwise default on its financial obligations). The Fund could incur losses in the event of any such default or if the return of these deposits was restricted.
- *No Formal Diversification Policies.* Although the allocation of the assets of the Fund across different securities and markets is an integral part of the Investment Manager's overall portfolio risk management process, the Investment Manager is not restricted as to the percentage of the Fund's assets that may be invested in any particular security or market. Except for the Investment Guidelines, the Fund has not adopted fixed guidelines for diversification of its investments among issuers, countries, instruments or markets and may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximize the Fund's returns, the Investment Manager may concentrate the holdings of the Fund in those countries, companies, instruments or markets which, in the sole judgment of the Investment Manager, provide the best profit opportunity in view of the Fund's investment objective.
- *Credit Risk.* The Fund is subject to the risk that the brokers and counterparties with which, and the exchanges on which, it executes transactions or carries positions may default. The default by an exchange, clearinghouse or counterparty with or through which the Fund trades could result in material losses. Certain markets require all securities to be held in a central securities depository and, in certain cases the depository may be owned by a foreign government or government body and not be supported by a national network of well capitalized financial institutions. The default of such government or depository, or the failure of such depository to maintain suitable and sufficient procedures to mitigate against theft or loss, could result in material losses to the Fund.
- *Investment Approach.* There is no guarantee that the investment approach, techniques, or strategies utilized by the Investment Manager on behalf of the Fund will be successful or profitable. All investments of the Fund risk the loss of capital. *Furthermore*, there can be no assurance that the specific trading strategies utilized for the Fund will produce profitable results. Any factor that would make it difficult to execute trades, such as reduced liquidity or extreme market developments, also could be detrimental to profits. Unlike certain other types of funds, it is the intention that the Fund will have only one Investment Manager.

#### **Item 9. Disciplinary Information**

There have been no legal or disciplinary proceedings against Highclere since its inception in May 2006. There are none pending.

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

Highclere is not affiliated with any banks, broker dealers or custodians. Highclere is an independent limited liability partnership that is owned and controlled by its partners.

Highclere Investment Management Limited ("HIM Ltd") is a corporate partner in Highclere. HIM Ltd is an independent private company with two classes of shareholders. The "B" class are owned by current and past employees and these permit majority control of the company. Ed Makin, the Chairman and Chief Executive, owns the majority of this class. The "A" class are owned by Silchester Partners Ltd ("SP Ltd")

and these carry minority voting rights. SP Ltd is entitled to appoint a non-executive member to the Executive Group of Highclere. SP Ltd has made similar minority investments in other SEC registered investment advisors and also is the parent company of a SEC registered investment adviser. Although Highclere is under “common control” with these investment advisers, apart from SP Ltd’s appointment of a non-executive director to the Executive Group of Highclere, there are no arrangements or relationships with any such advisers that are material to Highclere’s business. Moreover we do not believe the appointment of SP Ltd of a member to our Executive Group creates a material conflict of interest with any of our Clients. Details can be found on their ADV Part 1 and Part 2. In addition, Highclere owns 100% of HII Inc., an entity formed for tax and employment purposes to operate Highclere’s marketing and client services division.

HIM Ltd has contributed the majority of capital (>90%) to Highclere with the remaining capital contributed by working partners.

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

Highclere has adopted a Code of Ethics (“Code”) which complies with the purposes and objectives of Rule 204A-1 of the Investment Advisors Act of 1940. This Code sets forth Highclere's fiduciary duties to its Clients and establishes standards of conduct for its supervised personnel. Among the topics covered in the Code are: prohibitions on insider trading, resolving conflicts of interest, personal securities transactions by Highclere’s personnel, and confidentiality of Unitholder information. Highclere will provide a copy of its Code to any Unitholder or prospective investor upon request. To obtain a copy of the Code, please contact the Highclere’s Chief Compliance Officer, Fergus Gilmour via email at [fgilmour@highclereinvestors.com](mailto:fgilmour@highclereinvestors.com).

##### **Participation or Interest in Client Transactions:**

Partners and Employees of Highclere and Highclere’s subsidiary (HII Inc.) have invested in the Funds alongside other investors. As the Funds are pooled vehicles our Partners and Employees, like all other investors, are allocated units at the NAV on trade date. The Funds are independently valued and all Unitholders are treated the same.

##### **Cross Transactions:**

To reduce transaction costs, rebalance the Fund’s portfolio or for other reasons, the Investment Manager may, from time to time, to the extent permitted by law (including, without limitation, ERISA), cause the Fund to enter into cross transactions with other accounts or commingled funds for which the Investment Manager also acts as a discretionary manager. This normally occurs where inflows into one commingled fund coincide with outflows from another commingled fund for which the Investment Manager also acts as an adviser. In the event that the Investment Manager causes the Fund to purchase securities from or sell securities to such other account or commingled fund, the Investment Manager will use its best efforts to mitigate potential conflicts of interest by arranging such transaction to ordinarily occur at the then prevailing market price of the applicable security via a broker and by considering the interests of both the Fund and such other accounts or commingled funds. The Investment Manager will provide a Unitholder with details of the Fund’s crossing activities on a periodic basis upon the receipt of a written request for such information from the Unitholder.

##### **Personal Account Trading Policies:**

Employees and members of Highclere and its subsidiaries may trade securities for their own accounts in accordance with Highclere’s Code and the procedures set forth therein. In order to minimize any potential conflicts and to fully serve the best interests of the Firm’s Clients, Employees and related parties are generally prohibited from personal account dealing in securities that form part of the Firm’s small to mid-cap universe (market capitalisation less than US\$15bn) or which form part of any Client portfolio.

**Privacy Considerations:**

Highclere is committed to maintaining the confidentiality, integrity and security of personal information provided by current and potential Unitholders. Personal information may be obtained in a number of ways, such as during the application process for Units or ongoing communications between Highclere and Unitholders. All information obtained about Unitholders is treated as confidential unless the Unitholder has otherwise made the information public, such as their relationship with Highclere or investment in the Fund. Highclere generally exercises the same care dealing with personal information obtained from its investors that Highclere uses in dealing with its own internal confidential information.

Highclere protects personal information provided by Unitholders in a number of ways. All of Highclere's employees are subject to strict employment policies regarding client confidentiality. Highclere takes reasonable measures to dispose of personal information to protect against unattended access and use. Highclere has adopted various procedures to implement its policy and to monitor and ensure the policy is observed. Highclere attempts to ensure that its systems are secure and aims to apply password protections, firewalls, encryption technologies, and other mechanisms to guard confidential Unitholder information that are suitable and sufficient based on the size and nature of its business. Select physical and procedural safeguards have been established to guard client information. Former employees are also prohibited from disclosing non-public personal information to any person or entity.

Highclere may use data obtained from Unitholders for the purpose of communicating information about its investment products. Highclere may also provide information concerning Unitholders to firms that assist Highclere in servicing the Fund and its Unitholders, including Highclere's affiliated firms. This helps to ensure that all Unitholders are given an appropriate level of service. Information concerning Unitholders also may be passed to regulatory authorities or law enforcement officials who have jurisdiction over Highclere, as otherwise acquired by applicable law and regulations, or if reasonably required to prevent fraud and unauthorised transactions. Under certain limited circumstances, Highclere may provide Unitholders with information concerning the investment products of its business partners if Highclere believes this information may be of interest to Unitholders. Unitholders that do not wish to receive this information may contact Highclere and request to be removed from these distribution lists. On at least an annual basis, Highclere provides copies of its Privacy Policy to its Unitholders. Unitholders may request a copy of the current Privacy Policy at any time from [clientservice@highclereinvestors.com](mailto:clientservice@highclereinvestors.com).

**Item 12. Brokerage Practices****Brokerage Selection and Best Execution Policy:**

Highclere, a full-scope Alternative Investment Fund Manager (AIFM), adheres to the Markets in Financial Instruments Directive II (MiFID II) requirement to take "all sufficient steps" to achieve best execution. Highclere as Investment Manager may, in its sole discretion, appoint one or more brokers to execute security transactions. In selecting brokers Highclere's trader will take into account a combination of factors in order to obtain the best result for the Fund. In addition to consideration of "price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration" specified under Article 27 of the European Commission Regulations that accompany AIFMD; Highclere will also take into account access to liquidity, expected market impact, and trading strategy. Highclere may therefore determine to pay broker commissions over that which another broker might have charged for effecting the same transaction in recognition of any of the above factors. Execution commission rates are subject to periodic review.

In order to assess a broker's performance and ensure compliance with best execution obligations all orders are monitored intra-trade and post-execution. Our internal order management system, Indata iPM, and external live market data from Bloomberg, allows us to monitor trades at an individual fill level whilst they are being executed. All orders are then reviewed after market close to ensure that best execution was achieved. This will involve checking volume participation was sufficient and considered, that the price against arrival and VWAP (Volume Weighted Average Price) is acceptable, and that there was no undue market impact.

In addition, Highclere engages a third party Transaction Cost Analysis (TCA) provider to help review each order in more depth by analysing additional performance metrics. This data is also used to help assess

execution quality and individual broker performance over different durations. Any concerns with performances are addressed directly with the broker.

Equity transactions are normally executed on a regulated market or multilateral trading facility, however, execution outside of these, e.g. with a systematic internaliser, can occur. All security transactions are sent and executed through a broker, who has the discretion to place the order within a carefully chosen algorithm.

Highclere does not participate in commission recapture or directed brokerage arrangements and unitholders are not permitted to direct the use of commissions.

**Broker Research Budget:**

Highclere appoints a range of brokers or third parties to provide research and research-related services. The analysts may use this research to assist them in assessing the merits of new ideas and when reviewing existing portfolio holdings. All research costs are borne by the Investment Manager. The Funds do not bear any cost. Since there is no financial impact on the funds there are no disclosures required.

**Soft Dollar Policy:**

Highclere does not share, directly or indirectly, in any of the revenues generated by the Fund's brokerage transactions. Highclere does not pay any "soft dollar" commissions and/or receive any "soft dollar" benefits from the Fund's brokers. The Funds incur no expenses. Goods or services that, if received without payment could be deemed "soft dollar" benefits or "inducements" (such as broker research and transaction cost analysis of executed trades) are paid for by the Investment Manager out of its own financial resources.

Highclere does not participate in commission recapture or directed brokerage arrangements and Unitholders are not permitted to direct the Investment Manager to use or allocate commissions from any broker.

**Aggregation and Allocation of Investment Opportunities:**

Highclere considers it paramount that it should act in a manner that is fair, reasonable and equitable when allocating investment opportunities among its Funds (for purposes of this section, the "Clients").

When Highclere determines that it would be appropriate and feasible for more than one Client to participate in an investment opportunity, Highclere may place combined orders for all such Clients simultaneously and, if the order is not filled at the same price, Highclere will average the prices paid over a particular trading day or such longer period consistent with the accumulation or disposition of a particular position. Similarly, if an order is placed on behalf of more than one Client and the order cannot be fully executed under prevailing market conditions, Highclere may allocate the trade execution among different Clients on a basis that Highclere deems equitable. This is normally achieved by pro-rating actual trade executions among Clients in accordance with the total number of shares outstanding on each Client's order and rounding such executions to reflect minimum trading sizes, minimum allocations necessary to avoid undue costs being realized by clients (such as transaction and foreign exchange costs triggered by certain allocations having a de minimus value) and efficiencies inherent in trade reporting. Situations may occur where a Client could be disadvantaged because they participated in the aggregate order.

Highclere anticipates that Pro-rata allocation will be used on all orders unless this is not beneficial or possible for reasons described above. If the pro-rata allocation method is overridden, then an explanation is recorded. In these situations, Highclere will use its judgment to determine whether a Client should receive no allocation or a smaller allocation of shares resulting from a given execution. In other situations, a larger allocation of shares may be made to a Client if, for example, an additional allocation is required to clear a Client's negative cash balances or to raise funds to satisfy future Client commitments. All explanations for overridden allocations are stored within the trading system and a report is produced for review each quarter. The report is reviewed by the Head of Trading or the Compliance Officer.

### **Item 13. Review of Accounts**

#### **Reviews and Reviewers:**

All Funds are kept under daily review both for price and changes in fundamentals affecting the securities. All portfolios are reviewed weekly by the portfolio manager, the assistant portfolio managers and the investment team. All reviewers are equally responsible for ensuring that accounts are maintained in line with Highclere's policies and are equally responsible for all accounts.

#### **Frequency of Regular Reports to Clients:**

Clients with temporary transition accounts (these are used to facilitate investment in and/or withdrawal from one of Funds) receive a monthly valuation and a schedule of transactions for their portfolios. Investors in a Fund receive a monthly participation statement showing selected information about their investments in the commingled fund directly from the Fund's administrator. Such reports are ordinarily distributed on or before the third business day of each calendar month. Investors also receive audited financial statements for the Funds on an annual basis. Highclere also distributes a monthly factsheet and a quarterly newsletter describing the economic and financial background, the strategy adopted and the performance of the Fund.

### **Item 14. Referrals and Other Compensation**

Highclere does not receive any compensation or other economic benefit from any non-Clients for providing investment management services nor compensates any persons for Client and/or Unitholder referrals so this item is not applicable.

### **Item 15. Custody**

The Northern Trust Company acts as the custodian, fund administrator and custodial trustee (where required) for the Funds. The Funds offered by Highclere are organised as Delaware statutory trusts and are treated as partnerships for U.S. tax purposes. With respect to the Funds, Northern Trust has been appointed as custodial trustee and an indirect wholly-owned subsidiary of Northern Trust has been appointed as Delaware trustee.

Highclere does not act as custodian or hold any Client moneys or assets. However, because the Funds are private funds offered in the US, Highclere acknowledges that the SEC's definition of custody can be applied to it. Highclere is deemed to have custody by virtue of the standing instruction with the custodian to deduct client management fees via a redemption of units. It is however exempted from the requirement to have a surprise audit. Nevertheless, Highclere ensures that the funds are audited annually in accordance with US GAAP and that fund investors are provided with a copy of the financial statements within 120 days of the fund's year end. Northern Trust is solely responsible for the custody and safekeeping of the Fund's assets, performs certain administrative functions for the Fund at the direction of Highclere in accordance with each Fund's governing documents and provides certain recordkeeping and accounting services to the Funds, including the calculation of the Net Asset Value of the Funds and its units on a monthly (or more frequent) basis and the distribution of valuation statements directly to the Unitholders.

#### **Valuation of the Funds**

Northern Trust acts as the custodian and fund administrator for the US Funds. In its capacity as fund administrator, Northern Trust is responsible for independently valuing the US Funds' assets. Equity securities are valued using Northern Trust's custody and investment pricing guidelines and translated into USD using exchange rates provided by WM/Reuters. Forward currency contracts are valued using WM/Reuters exchange rates and adjusted to reflect the settlement period for the forward currency contract. Dividend and withholding tax accruals are valued at fair market value in accordance with GAAP.

The US Funds are valued for trading on a monthly basis, as of the last business day of each month. Daily indicative valuations (not tradable) are also available

Highclere reviews, but *cannot* arbitrarily override, Northern Trust's valuations. If Highclere believes that Northern Trust has mis-priced a security, Highclere follows a "challenge procedure" and will provide

Northern Trust with a “direction letter” supporting the alternate valuation. Northern Trust will consider the challenge and if valid, Northern Trust will amend the valuation. If not, Northern Trust’s valuation will stand. Because of the nature of the US Funds’ investments (publicly traded equities), pricing challenges are infrequent.

Once the Fund valuations are approved, Northern Trust is responsible for preparing the participant reports. Highclere reviews the reports prior to their distribution to clients. Once approved, the reports are sent directly by Northern Trust to the client. Highclere *does not* have any opportunity to ‘alter’ or ‘adjust’ client valuations.

### **Illiquid or Stale Priced Securities**

The Pricing Unit at Northern Trust performs a weekly review of security prices that have remained unchanged (stale) for 3 days or more. An Aged Price exception report is generated listing the security’s most current trading status as provided by Northern Trust’s pricing providers. Securities with a trading status of unlisted, delisted, suspended or illiquid are priced at their last available price until Northern Trust’s pricing sources provide an updated price and/or a trading status. Generally, a security is assigned this trading status if:

- It may not be sold or disposed of in the ordinary course of business within seven (7) business days at approximately the value at which the asset is reflected on the books of the holder;
- It has not been offered in the public markets;
- It is listed but its exchange listing has been suspended or is to be listed but not yet in effect;
- It is not trading in the open market or between market makers; or
- It would be deemed illiquid under applicable law

All other stale prices with no current trading status provided are challenged by Northern Trust’s Pricing Unit for confirmation.

### **Accounting Records and Current Holdings**

Copies of the US Funds’ most recent audited financial statements and current unaudited security / holdings list are available to clients on request from Highclere’s Connecticut office.

## **Item 16. Investment Discretion**

Highclere does accept discretionary authority to manage securities accounts on behalf of its Clients. Other than as specified by a Fund’s investment guidelines (or, if applicable, pursuant to the terms of a separate account investment management agreement), Highclere has sole authority to determine, without obtaining specific consent, the amount of and specific securities to be bought and sold for each Client.

## **Item 17. Voting Client Securities**

Highclere considers it to be of paramount importance when assessing proxy voting responsibilities on behalf of the Fund, and its underlying Unitholders, to recognize its fiduciary responsibility as investment manager. Highclere also recognizes the need to exercise its proxy voting obligations with a view to enhancing the Fund’s long term investment values. The Investment Manager believes that both are generally compatible with good corporate governance as they provide the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. To help achieve its objectives, it is the Investment Manager’s policy, subject to the considerations described below, to use its best efforts to vote proxies arising on all shares held on behalf of each Fund.

The Investment Manager categorizes meeting agenda items into whether ballots contain standard or material issues. Standard issues are typical of Annual General Meetings, in that they are often operational items of a routine nature. Material issues are considered to be items that relate to corporate governance matters. Standard issues can also be considered material when there is knowledge that a potential conflict of interest with management is present, in this instance the Investment Manager’s conflict of interest policy would have jurisdiction.

The Custodial Trustee holds all Fund securities for the benefit of the Unitholders. The Custodial Trustee provides this information to Institutional Shareholder Services (ISS), a leading provider of proxy voting and corporate governance services. ISS provides an online interface to the Investment Manager detailing all notifications, ballots and status of voting on a real time basis. Separately, Highclere has contracted with ISS to provide proxy advisory services which include, voting recommendations and analyst research on all shareholder meetings for which the Investment Manager is eligible to vote. The research is provided by ISS analysts local to the country of incorporation and they are familiar with local market practices and regulations. The Investment Manager does not outsource any part of its proxy voting decision-making process to ISS or the Custodial Trustee.

Subscription to the ISS proxy advisory services was led by the Investment Manager's commitment to the evaluation of corporate governance risk within the investment portfolio. Huge variations in the standards of disclosure and corporate governance across the small and mid-cap global universe have dictated the requirement for detailed external research in order for the portfolio managers to maintain their consistently high standards towards the business practices of companies in which the fund wishes to invest. The research itself provides comprehensive data on otherwise equivocal agenda items such as board membership, executive compensation and financial performance alongside generating equity-based assessment models that forecast the effect of related pay plans and authorized share increases. Highclere has incorporated an Environmental, Social and Corporate Governance ("ESCG") policy into its investment screening and selection process and these considerations are applied when voting proxies. The proxy voting policy is one of the mechanisms by which the investment manager can apply the principles of its ESCG policy.

The portfolio managers use the ISS research and other sources such as annual financial reports to initially determine the nature of the agenda items. If only standard issues are included on the proxy summary then one of the portfolio managers may vote on the proxy. If material issues are included, two or more of the Investment Manager's portfolio managers responsible for implementation will discuss the issues, assess the potential impact that the issues may have on the portfolio company and the value of the underlying investment, and decide on how to vote the proxy in question. Once approved, staff for the Investment Manager will process the proxy vote electronically using the ISS voting platform.

In certain circumstances, the Investment Manager may be unable to vote a specific proxy including (but not limited to) a situation when the Custodial Trustee or ISS does not provide a voting service in a given market, because the Custodial Trustee or its agent, in error, does not process a proxy or provide sufficient notice of a vote, or because an error is committed by any party involved in the proxy voting or registration process. The Investment Manager may also refrain from voting; if it is considering liquidating a position as shares may be blocked when proxies are submitted, where the costs of voting a specific proxy outweigh the economic benefit that the Investment Manager believes would be derived by the Fund, where a specific class of shares does not carry voting rights with respect to a given issue subject to shareholder vote or where re-registration of the shares into the Fund's (rather than the Custodial Trustee nominee's) name may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact the Fund's economic interests.

Unitholders are advised that when voting proxies in certain international markets, the Investment Manager may be constrained by certain country or portfolio company specific issues. For example, some companies in the portfolio impose voting caps on the maximum number of proxy votes that any single outside shareholder may control. Others require all board issues to be resolved by a show of hands, rather than a poll. Since all the Investment Manager's client shares may be held by one nominee, these restrictions have the effect of substantially limiting the impact of any proxies cast. Furthermore, some companies in the portfolio may restrict investment managers (such as the Investment Manager) from voting proxies where disclosures of the Fund holdings or securities under the Investment Manager's control have not been made on a timely basis or in a format required under their articles of incorporation.

Additional information on the Investment Manager's proxy voting and corporate governance policies can be found in the Stewardship Code Statement on the Investment Manager's website ([www.highclereinvestors.com](http://www.highclereinvestors.com)). Unitholders may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting the Tax Matters Partner and asking to be included on the quarterly proxy voting distribution list.



**Item 18.      Financial information**

Highclere does not require or solicit the prepayment of fees and so this item is not applicable.