

# First Sentier Investors (UK) IM Limited

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Form ADV Part 2A  
– The Brochure

A Guide to Our Services March 2024

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## Item 1: Cover Page

This brochure provides information about the qualifications and business practices of First Sentier Investors (UK) IM Limited (FSIIM). First Sentier Investors entities referred to in this document are part of First Sentier Investors a member of MUFG, a global financial group. First Sentier Investors includes a number of entities in different jurisdictions.

The information in this brochure has not been approved or verified by The United States Securities and Exchange Commission (“**SEC**”) or by any State securities authority.

FSIIM is registered as an investment adviser with the SEC. Registration as an investment adviser with the SEC does not imply any certain level of skill or training.

If you have any questions about the contents of this brochure, please contact us on +44 (0)131 473 2200 or [regulatorycompliance@firstsentier.com](mailto:regulatorycompliance@firstsentier.com)

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

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March 2024

## Item 2: Material Changes

No material changes to report for the period.

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## Item 4: Advisory Business Overview

First Sentier Investors (UK) IM Limited (FSIIM) was incorporated in 1970. FSIIM is part of First Sentier Investors, a global asset management business. FSIIM is 100% owned by Mitsubishi UFJ Trust and Banking Corporation (MUTB) and ultimately 100% owned by Mitsubishi UFJ Financial Group, Inc. (MUFG). The First Sentier Investors Group manages over \$182 billion globally.

FSIIM is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. We have historically specialised in investing in Asia Pacific and Global Emerging markets but continue to expand our range of investment strategies (which are covered in Section 8 of this document).

Where we provide discretionary investment management services through a separate account we agree the investment objectives with the client and they may specify investment restrictions which would be set out in their investment management agreement with FSIIM. In addition, we may tailor the fees charged to clients and the type of reporting they receive.

As of 31<sup>st</sup> December 2023 FSIIM had a total of \$18.7 billion assets under management. This includes assets where we have sub-delegated discretion to an affiliate and assets where an affiliated manager has delegated authority to FSIIM. Therefore, certain of the assets will also be included in the AuM reported by our affiliated managers.

FSIIM does not participate in wrap fee programs.

## Item 5: Fees and Compensation

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

Clients pay advisory fees quarterly in arrears and performance based fees are normally paid annually in arrears.

We will normally invoice clients directly for the fees they have incurred. We will not deduct fees directly from client accounts unless clients have explicitly instructed us to do so. This may be done after receipt and review of the invoice or fee calculation.

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

Account termination provisions are specified in the individual client agreements; however, generally the client may terminate the agreement by providing us with written notice at our principal place of business.

## Item 6: Performance Based Fees and Side-by-Side Management

### Performance Fees

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

Where FSIIM outperforms the relevant benchmark or hurdle we will earn a higher fee from clients who pay a performance based fee.

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

## Item 7: Types of Clients

We provide investment advice to institutional investors and accredited investors including:

- Pension plans
- Investment companies
- Other pooled investment vehicles (exempt from registration)
- Endowments
- State and Municipal organisations
- Charitable organisations

FSIIM typically requires a minimum account size of US\$50 million for a separate account. Clients are generally “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

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

### Investment Approach

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 by embedding the United Nations Principles for Responsible Investment (PRI) into our overall business strategy. ESG considerations are an integral part of the investment process employed by 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 client outcomes. 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

### **Stewart Investors**

Stewart Investors is an investment business and part of the First Sentier Investors Group. We manage portfolios on behalf of clients in Asia Pacific, Europe, Global Emerging Markets, the Indian Subcontinent and Worldwide equity investment strategies. Based in Edinburgh, London, Singapore and Sydney, we have a distinct culture and investment philosophy that is unchanged in more than two decades, since the launch of our first investment strategy in 1988.

We aim to generate strong long-term, risk-adjusted returns by investing globally in the shares of high-quality companies that contribute to, and benefit from, sustainable development achieving positive social and environmental outcomes. Sustainability is fully integrated into the management of risk and return. The team seeks to improve sustainable outcomes by avoiding businesses linked to harmful activities, investing in companies contributing to solutions, and engaging and voting for positive change.

The foundations of Stewart Investors' investment philosophy and approach remains largely unchanged since 1988. Our first dedicated sustainability strategy was launched in 2005. At this point we evolved the approach to invest only in companies we believe are contributing to sustainable development.

The Stewart Investors investment philosophy is summarised below:

- We are stewards. Our role is to allocate society's capital to productive uses.
- We are long term. Our time horizon is measured in years, not weeks, and we value companies accordingly.
- We invest only in companies contributing to a more sustainable future. We engage constructively as owners to help companies on their sustainability journeys.
- We invest only in high-quality companies. We invest in companies with exceptional cultures, strong franchises and resilient financials.
- We believe capital preservation is important for capital growth. We define risk as the possibility of the permanent loss of client capital.

Our investment approach represents a balance between the collegiate and the individual. We are very much a team, united by one investment philosophy, in how we research companies and contemplate decisions. Yet we are equally committed to giving clarity to the single point of decision-making for client portfolios. In our view, portfolio construction is most effectively undertaken by one lead manager who is best placed to balance all the risks taken in a portfolio.

This focus also promotes clear accountability and responsibility for decision making over alternative approaches such as management by committee.

Everyone on the team is considered an analyst and this includes all portfolio managers. Members of the team are personally invested in the strategy and have multiple opportunities to challenge lead managers on their decisions.

### **Stewart Investors – Asia Pacific equities**

Our investment management team is 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.

### **Stewart Investors – Global 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.

### **Stewart Investors – Worldwide equities**

We believe our job is to entrust our clients' capital to good quality companies with strong management teams and sound long-term growth prospects. All the Stewart Investors' strategies strive to integrate environmental, social and governance (ESG) considerations into every investment decision. Our sustainability strategies take this one step further by focusing on long-term sustainability themes as a key driver of the investment process:

- We aim to generate attractive, long-term, risk-adjusted returns for our clients by investing in the shares of those companies which are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate;

- We seek to invest only in good quality companies. Quality is measured through the lenses of quality of management, financials and the franchise. By analysing the sustainability performance and positioning of companies we can better measure less tangible elements of quality and identify hidden risks;
- We are long-term investors. We strive to make investment decisions with a minimum five-year time horizon; and
- We have an absolute return mind-set. That is, we define risk as losing money for our clients, rather than in terms of deviation from any benchmark Index.

**General Risks**

*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 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 favor securities of issuers that do not display strong fundamentals relative to market price based upon positive price momentum and other factors. Disciplined adherence to our investment approach during such periods may result in significant underperformance relative to overall market indices and other managed investments that pursue growth style investments and/or flexible style mandates.*

**Changes to Laws and Regulatory Risk –**

*A government or governmental agency in a country in which a security is issued or asset held may amend, repeal, enact or promulgate a new law or regulation, or a government authority or a court may issue a new interpretation of existing law or regulation that could substantially affect the security resulting in a loss. In addition changes in legal, tax and regulatory regimes within the jurisdictions of investments may occur which may materially affect the performance of a security.*

**Company Specific Risk –**

*This is the risk that a company in which FSIIIM invests does not perform as successfully as anticipated. While it is impossible to completely eliminate this risk, the effect of such a situation on the value of the investment can be reduced through diversification. This implies that unless returns of individual securities are perfectly positively correlated, a negative return from one security will be somewhat offset by better returns in others. This principle of diversification acts to reduce risk and reduce the return volatility of our portfolios.*

**Liquidity risk**

*The small size, limited trading volume and relative inexperience of the securities markets in some countries makes investments in such countries less liquid 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.*



***Inflation Risk***

*Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of an account and distributions can decline.*

***Management Risk***

*The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. The assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses.*

***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 will affect the value of your investments.*

*Forward currency contracts are typically utilized to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective. Further, by engaging in cross-hedging transactions, the risk of imperfect correlation between the subject currencies will be assumed. It is possible for these practices to 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.*

***Cybersecurity Risk***

*Cybersecurity breaches may occur allowing an unauthorized party to gain access to assets of the Funds, Shareholder data, or proprietary information, or may cause the Company, the Investment Manager, the Distributor, the Administrator or the Depositary to suffer data corruption or lose operational functionality.*

*The Funds may be affected by intentional cybersecurity breaches which include unauthorized access to systems, networks, or devices (such as through "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws). A cybersecurity breach could result in the loss or theft of Shareholder data or funds, the inability to access electronic systems,*

*loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the Company, the Investment Manager, the Distributor, the Administrator, the Depositary, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. Consequently, Shareholders may lose some or all of their invested capital. In addition, such incidents could affect issuers in which a Fund invests, and thereby cause a Fund's investments to lose value, as a result of which investors, including the relevant Fund and its Shareholders, could potentially lose all or a portion of their investment with that issuer.*

#### Specific Strategy Risks – Stewart Investors

##### **Emerging markets risk**

*The political and economic structures in many emerging markets are in their infancy and developing rapidly, as such these 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.*

##### **Custody risk**

*The scope and range of custodial services offered in many foreign countries, particularly less developed or developing nations (known as “emerging markets”) can 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.*

##### **Foreign investment risk**

*Maintaining assets in foreign countries generally involves 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.*

## Item 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, FSIIM does not have any material legal, financial or other disciplinary items to report.

## Item 10: Other Financial Industry Activities and Affirmations

FSIIM is directly owned by MUTB. MUTB is one of Japan's leading asset managers and is a wholly owned subsidiary of MUFG, a global financial group. In some cases, FSIIM may have business arrangements with related persons/companies or with their clients. In some cases, these business arrangements create potential conflicts of interest or the appearance of a conflict of interest between FSIIM and a client. Recognized conflicts of interest are discussed in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) of this Brochure.

### **Affiliated Broker Dealers**

FSIIM is associated with two broker dealers, MUFG Securities Americas Inc. ("MUSA"), Intrepid Investment Bankers LLC, Mitsubishi UFJ Securities Holdings Co. and MUFG Securities EMEA Plc.

As appropriate and in accordance with regulation and client agreements, FSIIM will on an arm's length basis, utilize the services of the affiliated broker dealers. FSIIM will execute client transactions through the affiliated broker dealers only when consistent with its duty to place the interests of clients first and to seek best execution (please see Item 12 – Brokerage Practices).

### **Affiliated Investment Advisers**

First Sentier Investors (Australia) IM Limited (CRD 160034, formerly known as Colonial First State Asset Management (Australia) Limited) is a registered investment adviser and is an associate of FSIIM. It was incorporated in 2005 and is a subsidiary of MUTB. It is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds.

First Sentier Investors (UK) Funds Limited, formerly known as First State Investments (UK) Limited, and First Sentier Investors International IM Limited, formerly known as First State Investments International Limited, are both FCA regulated entities, acting as investment managers for both US and non-US institutional clients. Both entities are SEC registered investment advisers.

First Sentier Investors (Ireland) Limited is a wholly owned subsidiary of MUTB and regulated by the Central Bank of Ireland. It is acting as Alternative Investment Fund Manager for both US and non-US clients. It is a SEC registered investment adviser.

First Sentier Investors (Singapore) (FSIS), formerly known as First State Investments (Singapore), 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 MUTB. FSIS provides portfolio construction and investment management services to a range of institutional clients and funds.

First Sentier Investors (Hong Kong) Limited ("FSI HK"), formerly known as First State Investments (Hong Kong) Limited, is licensed by the Securities and Futures Commission in Hong Kong and is an SEC registered investment adviser. It was incorporated in 1987 and is a wholly owned subsidiary of MUTB. FSI HK is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds.

First Sentier Investors (US) LLC (FSI US), formerly known as First State Investments (US) LLC, is an SEC registered investment adviser and is an affiliate of FSIIM. FSI US was established in 2014 and is

a wholly owned subsidiary of MUTB. 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 FSIIM.

First Sentier (Australia) RE Ltd (FSI ARE) is an SEC registered investment adviser and is an affiliate of FSI AIM. FSI ARE was established in 1985 and is a wholly owned subsidiary of MUTB. FSI ARE is an investment advisory firm providing discretionary investment management services to a range of institutional clients and funds.

Albacore Capital LLP is part of the Albacore Capital Group and is an Exempt Reporting Adviser. In November 2023, First Sentier Investors received all required regulatory approvals to enter into a strategic partnership with Albacore Capital Group, a boutique European alternative credit manager.

Furthermore, FSIIM may serve as a sub-adviser for accounts or clients for which one or more First Sentier Investors affiliates serve as investment manager or investment adviser. FSIIM receives 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 FSIIM and various affiliates.

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

FSIIM has adopted a Code of Ethics (the “Code”) which sets out the expectations of each Supervised Person in their day to day operations and interactions with all stakeholders. The Code requires all Supervised Persons (including Access Persons) to:

- Serve the best interests of clients at all times;
- Be honest and ethical in their activities
- Comply with all applicable US federal securities laws, as well as all other applicable laws and regulations;
- Treat the affairs of FSI, its clients and employees with absolute confidentiality;
- Affirmatively exercise authority and responsibility for the benefit of clients and may not participate in any activities that may conflict with the interest of clients except in accordance with the Code; and
- Safeguard any material non-public information relating to securities recommendations, fund and client holdings.

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.

### 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.

**Related Person/s:** any other person or entity whose investment decision making is influenced by a Supervised Person and if the person is an Access Person, this also includes to a spouse or domestic partner, child or any adult family member living in the same household as the Access Person.

The Code also outlines the requirements and where relevant references policies to ensure the standards detailed above are adhered to and include:

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

It is a crime in the U.S. and many other countries to transact in a company's securities while in possession of material non-public information about the company. Questions regarding perceived material information should be directed to a member of the Compliance staff. Supervised Persons are responsible for safeguarding non-public information relating to securities recommendations, fund and client holdings. As such, Supervised Persons must not trade based on FSIIM's confidential and proprietary investment information or on the non-public information of other companies that may be in its possession. 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 FSIIM (except those retained to provide services for FSIIM).

### **Personal Securities Trading**

The Global Personal Dealing Policy as summarised in the Code governs personal trading by all employees (including Access Persons) and their Related Persons. Employees are permitted to maintain personal securities accounts provided that such accounts are disclosed to FSII and that any personal trading is consistent with the Global Personal Dealing Policy, the Code of Ethics and applicable law.

In summary the requirements that apply to employees, including Access Persons and their Related Persons are:

- Initial and where automated reporting does not occur, annual, reports of securities and holdings must be submitted
- Initial and changes to the broker, dealer or bank accounts in which any securities are held must be submitted
- Pre-approval is required for all transactions in listed securities and all positions must be held for 120 days. Staff are limited to 20 pre-clearances requests per quarter. In some regions securities may be sold inside the minimum holding period where the employee has suffered a minimum 20% loss as evidenced on the employee's broker statement and Compliance has pre-cleared the trade.
- Employees located in the US are prohibited from purchasing initial public offerings (IPOs).
- Access Persons located jurisdictions outside of the US are prohibited from participating in IPOs that will be listed on a US exchange.
- Access Persons must obtain approval before acquiring a beneficial ownership on a limited offering or private placement.
- Investment team employees and their related persons cannot invest in any security that may be held in the core investment universe.

### **Gifts and Gratuities**

Giving and accepting gifts and entertainment still occurs in many areas of business. In our industry, although the practice is decreasing it is still, to an extent, prevalent in many regions in which FSIIM operates. As a business which insists on its people meeting the highest professional standards, FSIIM provides guidance on how its employees should conduct themselves accordingly:

- Employees must ensure they do not receive or offer gifts or entertainment which could be seen as being inappropriate or which may give rise to actual or potential conflicts of interest.
- Employees should ensure that personal relationships with third parties, clients or suppliers, do not influence or prejudice their obligations to Stewart Investors or its clients.
- Employees should only attend client related or business partner lunches or dinners or similar events (e.g. drinks receptions) where there is a significant industry, relationship or business agenda and can reasonably be deemed to be beneficial to our clients.

### **Conflicts of Interest**

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

- Avoiding it, where the conflict cannot be satisfactorily managed, for whatever reason, through controls and disclosure, or
- Controlling it, through the operation of controls, or
- Disclosing it. In order for the disclosure to be effective, it must be complete providing sufficient detail for the client to decide how the conflict impacts service to them and it must be timely, prominent and meaningful.

FSIIM from time to time does invest in the same securities that FSIIM is its affiliates invest in. 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.

FSIIM also provides non-discretionary investment management services as a subadvisor to investment advisors that seek advice through the provision of model portfolios. These model portfolios are used by the investment advisor to manage their client accounts. The timing and nature of services provided by FSIIM with respect to model portfolios are defined separately in the service agreements with relevant investment advisors as the parties see fit in each case and as a result may differ between the agreements, as well as between non-discretionary and discretionary service arrangements. Notwithstanding these differences, FSIIM has conflicts of management procedures in place to ensure all client interests under relevant agreements are treated equitably and fairly.

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

To manage conflicts of interest, inside information and other compliance and business issues, FSIIM 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. FSIIM 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 FSIIM or any not-for-profit or charitable foundation, organisation or similar entity.

You may request a copy of our Code of Ethics by writing to the Chief Compliance Officer, First Sentier Investors(UK) IM Ltd., Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB, UNITED KINGDOM.



## Item 12: Brokerage Practices

### **Order Aggregation and allocation**

FSIIM seeks to aggregate and allocate trade orders in a manner that is consistent with its duty to: (1) seek best execution of client orders; (2) treat all clients fairly and equitably over time; and (3) not systematically advantage or disadvantage any single client or group of clients.

FSIIM follows policies and procedures pursuant to which it may combine or aggregate purchase or sale orders for the same security for multiple client accounts so that the orders can be executed at the same time. FSIIM aggregates orders when it considers doing so appropriate and in the interests of its clients. Client accounts may be included in the aggregated orders with clients of FSIIM's affiliated advisers.

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

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

For equity trades, when deemed in the best interest of the client, First Sentier Investors (UK) IM Limited will utilize the services of ICAP Cross Trade for the execution of equal and opposite orders on the same instrument at an independent live mid-market price. In the event of execution of a trade, brokerage is charged at 0.01% on both the buy and the sell leg of the trade.

### **Counterparty Approval**

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

For a counterparty to be considered, as a minimum it must be appropriately regulated in the jurisdiction it operates and specifically approved by us after review in accordance with our internal policy and process, and they must have execution arrangements that enable them to comply with our obligations.

The criteria to add a broker to the approved counterparty list is generally based on a number of factors which may include, but is not limited to, our assessment of their:

- Ability to provide adequate coverage of the asset class;

- Pricing capability;
- Liquidity and limit provision;
- Sustainability;
- Operational capability;
- Service quality;
- Reputation, including regulatory status and history; and
- Anti-financial crime, anti-money laundering and sanctions.

All approved brokers undergo screening including disciplinary actions, criminal proceedings and reputational issues. Counterparties are reviewed and assessed by the business on an annual basis to ensure relevance and that they continue to assist us in complying with our best execution obligations (by delivering the best possible result).

### **Use of Dealing Commissions**

FSIIM's policy is that all externally provided execution services are paid for as part of an agreed standard commission. Historically, this commission could include payment for other services including research. From January 1<sup>st</sup> 2018, in accordance with the MiFID II regulation, FSIIM will procure all externally provided investment research under an unbundled model, whereby the research will be paid for directly from the firm's resources.

Where we execute orders through a broker or other person and those broker's or other person's charges are passed on to our customer in return for which goods or services in addition to the customer order execution are received, we must have reasonable grounds to be satisfied that those goods or services are related to the execution of trades on behalf of our customers, and will reasonably assist us providing services to our customers on whose behalf the orders are being executed and do not, or are not likely to, impair our compliance with our duty to act in those customers' best interests.

Where goods or services relate to execution, we should have reasonable grounds to be satisfied we have met the above requirements if the goods or services are linked to the arranging and conclusion of a specific investment transaction (or series of related transactions), and are provided between the point at which we make the investment or trading decision and the point at which the investment transaction (or series of transactions) is concluded.

No arrangements regarding the use of dealing commission may be entered into that could compromise our ability to provide best execution to our customers.

The following is a list of examples of goods or services relating to execution which are specifically highlighted as not meeting the requirements for execution, research goods or services and are therefore not accepted by FSIIM:

- services relating to the valuation or performance measurement of portfolios;
- computer hardware;
- connectivity services such as electronic networks and dedicated telephone lines;
- seminar fees;
- corporate access services;



- subscriptions for publications;
- travel, accommodation or entertainment costs;
- computer software including order and execution management systems and office administrative computer software, such as word processing or accounting programmes;
- membership fees to professional associations;
- purchase or rental of standard office equipment or ancillary facilities;
- employees' salaries;
- direct money payments;
- publicly available information; and
- custody services relating to designated investments belonging to, or managed for, customers other than those services that are incidental to the execution of trades.

### **Commission rates and allocation**

The allocation of payment for execution services is the responsibility of the dealing team, as a by-product of the selection of a broker on an individual trade on the basis of best execution. In the day-to-day management of trading, the dealing desk is responsible for managing broker selection such that the achievement of best execution is the primary consideration on each individual trade.

The dealing desk is responsible for agreeing the commission rates with each broker across each market.

### **Directed commission**

Directed commission is where a client may instruct us to generate commission on their account in order to pay for a service which they have contracted from one or more particular brokers. Our view is that it would not be treating all our clients fairly to allow individual clients to enter into such arrangements. We are also unwilling to make any commitment to trade, whether at certain amounts or even at all, with particular brokers. FSIIM will therefore not enter into directed commission arrangements if requested to do so by clients or prospective clients.

### **Execution Review**

Execution and all related activity are reviewed by all Dealing teams, the Global Head of Investment Management and Business Management at the applicable quarterly meeting of the Execution Oversight Committee.

### **Role of the Execution Oversight Group**

The Stewart Investors Execution Oversight Group and the First Sentier Investors Execution Oversight Committee have responsibility for oversight in relation to all relevant funds and portfolios under the management of FSIIM. This includes a formal review of the use of counterparties, counterparty risk, and associated issues.

## Item 13: Review of Accounts

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

Periodic written data, including valuations and transaction information, is usually provided on a monthly basis and may be supplied to the client or the client's custodian for accounting or reconciliation purposes. In addition, clients normally receive quarterly reports, either following a standard First Sentier Investors template, or tailored to suit the individual client or mandate requirements.

Stewart Investor Clients are also invited to participate in a quarterly webcast where the investment team reviews the quarterly performance or discusses a topic relevant to the clients. Clients also receive a replay link by email after the webcast has taken place.

The Stewart Investors Board and Execution oversight Group have responsibility in relation to all relevant funds and portfolios under the management of FSIIIM and regularly reviews performance, counterparty risk and associated issues, breaches of investment guidelines and any general dealing or operational factors which may affect the funds that we manage.

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

## Item 14: Client Referral and Other Compensation

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

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

## Item 15: Custody

FSIIIM generally does not maintain custody of the assets of our clients with separately managed accounts. Instructions to facilitate payment of fees are generally initiated by the client through the client's custodian.

All clients should receive account statements directly from the broker-dealers, banks, trustees, or other qualified custodians with whom they have accounts. We strongly urge all clients to compare the reports they receive from FSIIIM to the statements they receive from their broker-dealers, banks, trustees or custodians. Any issues or discrepancies should be communicated to us promptly so that we may investigate.

## Item 16: Investment Discretion

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

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

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

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

## Item 17: Voting Client Securities

The concept of stewardship is at the heart of FSIIM's investment approach. We believe our job is to allocate our clients' capital in accordance with the investment process and philosophy that has been agreed with our clients. FSIIM is in a position to influence the environment, social and governance performance of companies via discussions with management or the board of directors and through the exercising of proxy votes. The exercising of the voting rights must be in the best interests of our customers.

FSIIM has in place a comprehensive corporate engagement policy that describes how we vote on various issues. Subject to specific client directions, we will exercise every vote in accordance with that policy, however occasionally exceptions arise. The key criteria for how we vote is what we consider to be the best interests of our clients.

We utilise the services of professional proxy voting advisors to independently inform the proxy voting decisions which we take on behalf of our clients. In the event that a material conflict of interest is identified in connection with voting a proxy, we will either vote in accordance with the recommendation of the independent proxy voting advisors or abstain from voting.

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

Wherever a discrete mandate client delegates responsibility for exercising proxy votes, and if requested by the client, FSIIM will report back to the client how votes were cast on their behalf.

Our corporate engagement policy or additional information regarding how we vote on the clients' securities can be obtained by writing to our Chief Compliance Officer.

## Item 18: Financial Information

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