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This Brochure provides information about the qualifications and business practices of Aberdeen Asset Management Inc. (“AAMI”). If you have any questions about the contents of this Brochure, please contact AAMI at (215) 405-5700. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

AAMI is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provides you with information which may help you determine whether to hire or retain an adviser.

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

## **Item 2 – Summary of Material Changes**

Since the most recent filing of the ADV Part 2A on February 1, 2016, AAMI has made the following changes to this Brochure:

Sofia Rosala, AAMI's Chief Compliance Officer ("CCO"), resigned from her position effective March 18th 2016. Sofia's role as CCO will be taken over by Jeffrey Cotton, AAMI's Head of Compliance, Americas and CCO of the Aberdeen Funds.

The AUM as of September 30th, 2015 was updated to reflect accurate information. The actual AUM has been updated from \$63.7 billion to \$64.3 billion.

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## **Item 4 – Advisory Business**

### Our Firm

Aberdeen Asset Management Inc. (“AAMI” or “Aberdeen”) is headquartered in Philadelphia, Pennsylvania, and is a wholly-owned subsidiary of Aberdeen Asset Management PLC (“Aberdeen PLC”). Aberdeen PLC was formed in 1983 and has been listed on the London Stock Exchange since 1991. AAMI has been registered with the SEC as an investment adviser since 1995 and has offices in: New York, NY; Stamford, CT; Boston, MA; and Toronto, Ontario.

### Advisory Services

Our business is predominantly the active management of financial assets, using first-hand research to make our investment decisions. Active investment spans equities, fixed income securities, and property. We have also developed a solutions business that can blend our abilities across different asset classes to provide tailored investment outcomes to meet specific client needs. This can incorporate skills in both quantitative equities and alternatives.

Our investment expertise is delivered through both segregated and pooled products – allowing us to serve a range of clients from institutions to private investors. We offer investment advisory services with regard to investments in both domestic and global securities to a variety of clients, insurance products, and pooled funds, including investment companies registered under the Investment Company Act of 1940, as amended (“1940 Act”). We provide a variety of asset management capabilities, including:

- managing or sub-advising various open-end or closed-end investment companies registered under 1940 Act;
- offering professional money management services for separately managed accounts, which include providing continuous advice to clients based on individual needs concerning the investment of funds and related activities including, but not limited to trading, cash management, and recordkeeping;
- providing investment services to international open-end and closed-end funds, as well as various private or institutional mandates sourced globally;
- offering investment services to certain limited partnerships and similar private funds;
- offering segregated and pooled vehicles focusing on European, or other global property mandates;
- offering global and regional fund of funds products (hedge fund, private equity, venture capital, real assets and property); and
- customizing solutions for clients seeking specific exposure or risk/return characteristics within their alternative investment allocations.

We also offer investment advisory services to separate account and/or investment advisory clients seeking to make investments in private investment funds.

We also serve as a manager of manager, in which circumstance we hire sub-advisers to provide day-to-day securities selection. We are responsible for selecting sub-advisers and determining the portion of a fund’s assets to be allocated to each sub-adviser. Sub-advisers are generally chosen on the basis of some or all of the following selection criteria established by Aberdeen: an analysis of the sub-adviser’s performance during various time periods and market cycles, the sub-adviser’s reputation, experience, training and investment philosophy, process and policies, the sub-adviser’s operational strength and resources, whether the sub-adviser has an identifiable track record and/or the degree to which the sub-adviser has a personal investment in the investment program.

### Our Investment Process

Our business is predominantly the active management of financial assets, using first-hand research to make our investment decisions. Active investment spans equities, fixed income securities and property, sharing resources and a common investment approach. We have also developed a solutions business that can blend our abilities across different asset classes to provide tailored investment outcomes to meet specific client needs. This can incorporate skills in both quantitative equities and alternatives. Our investment expertise is delivered through both segregated and pooled products – allowing us to serve a range of clients from institutions to private investors.

### Tailoring Services to Client Needs

We typically manage client accounts on a discretionary basis; however, we will manage client accounts on a non-discretionary basis subject to client instruction.

We make investments for clients in accordance with mutually agreed upon written investment guidelines and provide continuous supervision of client portfolios. Investment services may be tailored for each client's specific needs and objectives, and clients may impose reasonable restrictions on investing in certain securities or types of securities. We have established procedures and controls to help ensure compliance with each client's specific investment guidelines and any client-imposed restrictions.

Where we are the investment adviser to a pooled investment vehicle, investment objectives, guidelines and any investment restrictions are not typically tailored to the needs of individual investors in those vehicles, but rather are described in the prospectus or other relevant offering document for the vehicle. We create and maintain files supporting the rationales for these recommendations. The advisory or sub-advisory fee is subject to negotiation and is fully disclosed to clients.

We may, directly or indirectly, and without notice to other investors, enter into "side letter" agreements with certain prospective or existing investors (including investors affiliated with Aberdeen) granting them, among other things, greater portfolio transparency, special liquidity rights (in the ordinary course or upon specified events), fee waivers or reductions, future capacity rights in a fund, interests or shares having different voting rights or restrictions, reduced minimum subscription amounts, additional rights to reports and other information and other more favorable investment terms than the terms that are described in the relevant offering memorandum. The funds that enter into these arrangements have no obligation to offer such differing or additional rights, terms or conditions to all interest holders, and Aberdeen may or may not offer similar differing or additional rights, terms or conditions to other clients in customized discretionary accounts it manages or to non-discretionary accounts to which it provides investment advice. In rare instances where Aberdeen is provided with enhanced portfolio disclosure (including potentially material non-public information concerning the portfolio holdings of an underlying fund pursuant to a confidentiality agreement with the underlying fund or its manager), Aberdeen will not be able to share information concerning such holdings or information or the fact of the existence of such a confidentiality agreement with advisory clients unless specifically authorized to do so by the underlying fund or its manager.

#### Wrap Fee Program Services

We currently do not participate in wrap fee programs, although we maintain the ability to do so under certain circumstances, and without prior notice.

#### Assets under Management

As of September 30, 2015, AAMI had approximately \$58.7 billion in assets under management (AUM) on a discretionary basis, and approximately \$5.6 in assets under advisement on a non-discretionary basis, and total assets under management/advisement of approximately \$64.3 billion. AAMI's assets under management/advisement as of September 30, 2015 equals (i) the approximate sum of the net asset value (i.e., assets minus liabilities) of all of the funds, SEC-registered funds, and customized portfolios described above, as well as (ii) deferred balances payable by the Funds and customized portfolios to AAMI and (iii) the reported assets of accounts or vehicles to which AAMI provides advice on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Aberdeen's advisory fees generally depend on the services being provided according to the schedule agreed to by the client and included in their investment management agreement. Fee arrangements will vary by client, and are based on a number of different factors, including investment mandate, services performed, and account size. Fees and allocations may be fixed, fixed plus performance or performance only. Please refer to Item 6 of this Brochure for additional information about performance-based fees. Generally, fees are paid monthly or quarterly in arrears based on assets outstanding at the close of each month, quarter or the average of the month-ends within a quarter, or in advance based on assets outstanding at the end of prior month or quarter. We will either invoice clients for these fees, or in certain situations deduct these fees from the client's custody account. In some instances, fee schedules are negotiable and can vary depending on a variety of factors such as the client, size of the account, and the investment strategy selected.

We will not generally be required to provide notice to, or obtain the consent of, one client when waiving, reducing or varying fees or modifying other contractual terms with any other client. However, some clients may from time to time seek to negotiate most favored nation ("MFN") clauses in their investment management agreements with Aberdeen. These clauses may require us to notify the MFN client if we subsequently enter into an investment management agreement with another separate account client that offers more favorable pricing or other contractual terms than those currently offered to the MFN client. An MFN clause will typically require that we notify the MFN client of the more favorable terms so that the MFN client can elect to either adopt or reject them or, usually when the MFN relates only to fees, may require that any more favorable fee terms be extended automatically to the MFN client. The applicability of an MFN clause will depend on the degree of similarity between separate account clients, including the type of client, the scope of investment discretion, reporting and other servicing requirements, the amount of assets under management, the fee structure and the particular investment strategy (and therefore the relevant investment adviser) selected by each client. We have sole discretion over whether or not to grant any MFN clause in all circumstances.

All advisory arrangements may be terminated by either party upon prior written notice, according to the termination provisions outlined in the investment management agreement. If a contract is terminated, all advisory fees are subject to a pro-rata adjustment based upon the date of termination. Upon termination of the agreement, any prepaid, unearned fee will be promptly refunded, and any earned, unpaid fees will be due and payable.

With respect to U.S. SEC registered open-end and closed-end funds advised or sub-advised by Aberdeen, each fund's prospectus sets forth the applicable fees and expenses. Because the Aberdeen U.S. SEC registered multi-asset funds (Diversified Income Fund, Dynamic Allocation Fund and Diversified Alternatives Fund (each, a "Fund" and collectively, the "Funds")) invest in other registered investment companies, each Fund will bear its proportionate share of any management fees paid by a registered investment company in which the Funds invest in addition to the advisory fee paid by the Fund to AAMI.

For our standard segregated and/or commingled account fee schedules, please refer to Appendix A of this brochure.

### **Private Equity Funds**

Investors and prospective investors should review the Governing Documents of each Private Equity Private Equity Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to that particular Private Equity Fund. Different Private Equity Funds and advisory accounts may be subject to different management fees and performance-based compensation arrangements. In certain circumstances, the advisory fees payable to AAMI by individual investors may be negotiable and/or waived. Investors and prospective investors in each Private Equity Fund should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees.

Fees charged by AAMI or one of our affiliates to separate account or investment advisory clients vary from client to client depending on the type, size and complexity of the client account. In general, such fees may

include a management fee (which is generally calculated as a percentage of the notional value of the separate account portfolio or client commitment) and/or a performance-based compensation arrangement.

AAMI is authorized under the Governing Documents to charge and deduct advisory fees directly from the assets of the Private Equity Funds. Payments of advisory fees are generally made quarterly in advance and in accordance with the terms set forth in the Governing Documents. Please refer to the Governing Documents of each of the Private Equity Funds for complete information on the timing of advisory fee payments.

AAMI or one of our affiliates will typically charge and deduct advisory fees directly from its separate account or investment advisory clients pursuant to the contracts entered into with such clients. Payments of advisory fees will generally be made quarterly in advance and in accordance with the terms of such contracts. Upon termination of any client advisory relationship with AAMI any prepaid, unearned advisory fees will be promptly refunded to the client and any earned, unpaid fees will be due and payable.

In addition to the advisory fees and performance-based compensation payable to AAMI (or one of its affiliates), each AAMI client invested in certain Private Equity Funds will generally incur certain charges imposed by third parties, including (but not limited to): legal, auditing, consulting, financing, accounting (including, without limitation, accounting software) and custodian fees and expenses; expenses associated with preparation of financial statements, tax returns and K-1s (including, third party expenses in connection with tax preparation, financial statements and other accounting or similar administrative functions); out-of-pocket expenses incurred in connection with transactions not consummated; expenses of the Private Equity Fund's Advisory Board (including, without limitation, its independent legal counsel and/or other consultants as permitted pursuant to the relevant Private Equity Fund's Governing Documents) and annual meetings of the Private Equity Funds' limited partners (including, without limitation, travel, setup, dining and honorarium); premiums for insurance obtained by a Private Equity Fund to protect such Private Equity Fund, its general partner, and/or any of their affiliates, directors, officers, employees or agents in connection with the activities of the Private Equity Fund; fees, costs and expenses incurred in connection with the Private Equity Funds' legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including, for example, Form PF); other expenses associated with the investigation, evaluation, acquisition, holding or disposition of investments, including extraordinary expenses (such as litigation or threatened litigation involving the AAMI client or the general partner of a Private Equity Fund and its affiliates or investigations undertaken by governmental entities, if any); any taxes, fees or other governmental charges levied against the AAMI client or the separate account vehicle, as the case may be; certain organizational expenses; commissions or brokerage fees, financing fees, finders' fees or similar charges incurred in connection with the purchase and sale of securities; expenses incurred in connection with the managed distribution of marketable securities; public notice costs; taxes assessed against the AAMI client or the general partner of a Private Equity Fund in respect of advisory fees (e.g., any sales or value added tax on services, should such a tax become applicable); and costs of dissolving and liquidating a Private Equity Fund (or a separate account vehicle).

In addition, each private investment fund in which a Private Equity Fund, a separate account client or an investment advisory client acquires an interest will generally pay advisory fees, performance-based compensation and/or other fees and expenses to an investment adviser and/or general partner that are not affiliated with AAMI. Compensation and expenses paid to AAMI or one of its affiliates, as the case may be, for investment advisory services are separate and distinct from the advisory fees, performance - based compensation and expenses charged by the independent investment advisers or general partners of the private investment funds in which Private Equity Funds, separate account clients or investment advisory clients invest.

Neither AAMI nor any of its affiliates receive any compensation as broker or agent for the sale of securities or other investment products to any Private Equity Fund, separate account client or investment advisory client. Please refer to the subsection titled "*Economic Benefits Received from Third Parties*" in Item 14 below for information on other types of compensation that AAMI may receive with respect to investments by the Private Equity Funds or separate account clients.

AAMI may have different fee schedules for products and services offered in other jurisdictions outside of the U.S.

We examine fee ranges and average fees using comparative universes. We strive to offer competitive fees that are at or below average of our comparative universe. Terms are negotiated on a case by case basis.

In addition to the advisory fees discussed above, clients may incur additional fees related to the services we provide. Clients may incur the fees and expenses charged by the custodian of client assets managed by us, as well as brokerage and other transaction costs associated with securities trades that we order on behalf of the assets in a client account.

We occasionally invest client assets in shares of open-end and closed-end investment companies and unregistered commingled funds which we or an affiliate may also advise. As a shareholder of a fund, a client may be subject to advisory fees (and other expenses) at the fund level in addition to fees charged to the advised account. To the extent that we invest client assets in affiliated funds, we will ensure that clients are not double-charged advisory fees.

In connection with serving as sub-adviser to certain bank-sponsored private funds, AAMI may pay the trustee's advisory fees for services rendered to such funds.

For an additional discussion of brokerage and other transaction costs, please refer to Item 12 - Brokerage Practices of this Brochure.



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

We sometimes enter into agreements for performance-based fees with qualified clients. This may result in instances in which a portfolio manager concurrently manages accounts with different fee structures for the same strategy. This is referred to as “side-by-side” portfolio management and, in these instances, we will not determine allocations based on whether we are participating in a trade or on the fee structure of the managed accounts participating in the trade. Furthermore, we may seed investment vehicles and make co-investments along with clients invested in property funds, direct property investments, or other private fund investments.

The potential management of different types of accounts and accounts with different fee arrangements (“side-by-side” management) may give rise to potential conflicts of interest. Registered funds, for example, generally pay management fees based on a fixed percentage of assets under management, while separate accounts and private funds potentially may have more varied fee structures, including performance-based incentives. Where performance is good, performance based fee clients may be charged fees higher than the industry standard. We may have a material incentive to favor certain, more lucrative accounts over those that may be less lucrative. Additionally, we may have a material incentive to favor accounts in which we, or our affiliates, have significant proprietary interest. For example, we have an incentive to allocate better-performing securities to those accounts subject to performance fees rather than to those which are not. These performance fees may also incentivize the portfolio manager to take riskier positions than would have otherwise been initiated. Additionally, the calculation of performance fees is based upon a number of factors both within and out of our control. To mitigate these conflicts, we have adopted policies and procedures to ensure that investment decisions are made based in the best interests of our clients and without consideration of our financial interests.

To address such potential conflicts of interest, Aberdeen has adopted procedures and policies designed to:

- Identify practices that may potentially favor actively managed accounts in which an Investment Manager has an ownership and/or a greater pecuniary interest over actively managed accounts in which the Investment Manager has no ownership and/or a lesser pecuniary interest;
- Prevent the Investment Manager and Covered Persons (as defined in Aberdeen’s Code of Ethics, discussed below) from inappropriately favoring some clients over others;
- Detect potential violations of such policies and procedures;
- Provide a process to review requests for waivers; and
- Promptly resolve any actual violations detected.

Portfolio Managers cannot trade in conflict with themselves – specifically, across same strategy accounts that they manage. Portfolio Managers are prohibited from taking an ‘inconsistent position’ or placing an ‘inconsistent order’ in or for same strategy accounts that they manage without prior approval from the Department Head, provided such position does not represent a conflict of interest. Generally, Portfolio Managers are prohibited from holding the same security long in some accounts and short in others, unless they are materially underweight in a long only account that must hold that security at some level for benchmark tracking purposes (as this would not appear to represent a conflict of interest). Portfolio Managers may, however make different investment decisions for the same security or credit for different strategies they manage, as appropriate.

In the event that a potential conflict of interest is identified, the Department Head and the Compliance Department will discuss the conflict and take appropriate corrective action. Compliance will also review the procedures in such instances to ensure that they are appropriately crafted to identify similar future conflicts of interest.

From time to time, Aberdeen, its directors, officers, employees or affiliates (“affiliated persons”) may, directly or indirectly, have interests in securities owned by or recommended to our clients. As these situations may represent a potential conflict of interest, we have adopted a Code of Ethics (“Code”) in compliance with the requirements of Rule 17j-1 adopted under the 1940 Act and Sections 204A and 206 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), to govern personal transactions by directors, officers, and advisory personnel of Aberdeen (“Access Persons”). For further detail on Aberdeen’s Code, please refer to Item 11 of this Brochure.

We also monitor for conflicts by implementing “best execution” trading procedures and reviewing account allocation and performance.

AAMI or a related entity of AAMI, as general partner of certain Private Equity Funds or adviser to a separate account or investment advisory client, will typically receive certain allocations or fees calculated and charged based on a share of capital gains on or capital appreciation of the assets of the Private Equity Fund, separate account client or investment advisory client. These performance-based allocation arrangements comply with Rule 205-3 under the Advisers Act. Any share of profits paid to AAMI, one of its affiliates or the general partners of the Private Equity Funds is separate and distinct from the advisory fees charged by AAMI for advisory services. Performance-based allocation arrangements received by AAMI or any of its related entities may create an incentive for AAMI to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Please refer to the Governing Documents of the applicable Private Equity Fund (or the investment advisory agreement of the applicable separate account client) for complete information on the performance-based compensation arrangements entered into with respect to such client.

AAMI may provide concurrent advisory services to client accounts that are not charged a performance-based fee or allocation by AAMI’s related persons and client accounts that are charged a performance-based fee or allocation by a related person of AAMI. AAMI or one of its affiliates may also provide concurrent advisory services to Private Equity Funds and/or separate account or investment advisory clients that are charged different performance-based fees or allocations and, in certain cases, AAMI may only be permitted to take a performance-based fee or allocation from a Private Equity Fund or separate account client or investment advisory client after the applicable investors or client received a preferred return on their committed or contributed capital. As a result, the potential for AAMI’s related persons to receive different fees or allocations from performance-based accounts creates a potential conflict of interest with respect to the allocation of investment opportunities because AAMI may have an incentive to direct the best investment ideas to, or to allocate investments in favor of, the account that pays a more favorable performance fee or allocation.

To mitigate this potential conflict of interest, allocation of commitments and investment decisions with respect to investment opportunities are made by AAMI for all Private Equity Funds and AAMI separate account and investment advisory clients in accordance with AAMI’s investment allocation policy. With respect to investment opportunities that are appropriate for more than one AAMI client (including a Fund and/or an AAMI separate account or investment advisory client, AAMI’s investment allocation policy takes into account multiple criteria, including (but not limited to) the investment objectives and strategies of each applicable client, differences with respect to the available capital, size, and remaining life of the applicable clients, differences in risk profile at the time the opportunity becomes available, potential conflicts of interest, the nature of the security or the transaction, and current and anticipated market conditions. In the event the investment opportunity is suitable for more than one AAMI client, AAMI will derive an allocation that, over a period of time, is fair and equitable to each applicable AAMI client relative to other AAMI clients, taking into account all relevant facts and circumstances. Prospective investors are requested to refer to the Governing Documents of the Private Equity Funds for more details on investment allocation decisions among the Private Equity Funds.

## **Item 7 – Types of Clients**

### Clients

Our client base comprises a variety of institutional clients, including corporate plans, non-profit organizations, public plans, governments, private investors, multi-employer plans, financial institutions, intermediaries, sub-advised funds and pooled investment vehicles, encompassing both affiliated and unaffiliated U.S. and non-U.S. registered funds and U.S. and non-U.S. unregistered funds, among others. The requirements for opening any account will vary depending on the type of product and type of client. We have minimum account size requirements for certain accounts which may be waived at our discretion. Please refer to Item 5 of this Brochure for additional information on minimum account size requirements.

### Privacy Policy

We recognize and respect the privacy concerns of our customers. We are strongly committed to protecting the privacy of client information and will not disclose any non-public personal information about our customers or former customers to anyone, except as permitted by law. In order to service your account and effect your transactions, we may provide your personal information to our affiliates and to financial service providers that assist us in servicing your account and have a need for such information, such as a broker-dealer, custodian or administrator. We may also provide client information to a third party in situations where clients have given us consent to do so, at the request of a regulator or where we are required to disclose the information by law or regulation. We require third-party service providers and financial institutions with which we have joint marketing arrangements to protect the confidentiality of your information and to use the information only for the purposes for which we disclose the information to them. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your non-public personal information. We have adopted privacy policies and procedures that are designed to prevent the unauthorized disclosure and use of client non-public personal information.

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

### Methods of Analysis and Investment Strategies

We utilize various investment approaches when managing discretionary client accounts and providing recommendations to non-discretionary clients. We have described below the various methods of analysis and investment strategies, as well as the primary risks associated with the investment strategies.

### Equities

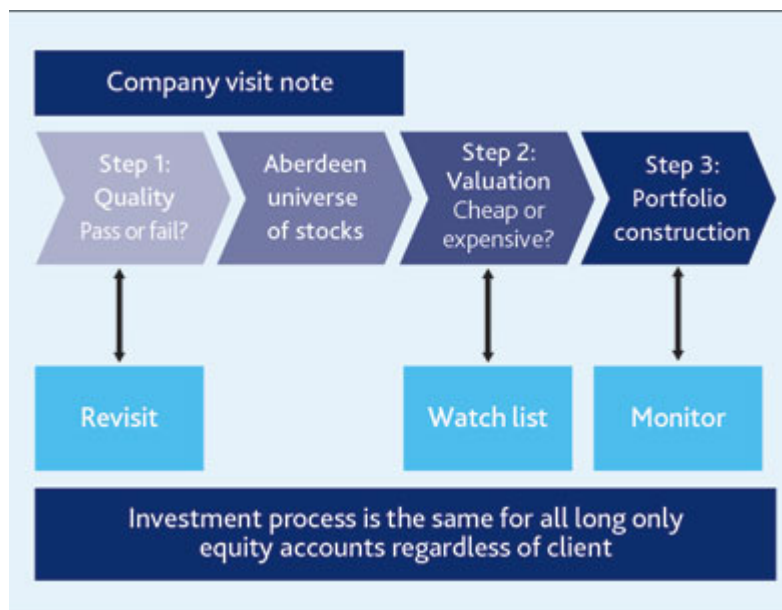
Our equity process dates from the early 1990s. We believe its advantage lies in the consistency of its approach, irrespective of market conditions.

Key points:

- Bottom-up investment style, emphasising company fundamentals
- Team approach, with asset managers based in the regions where we invest
- Low portfolio turnover, buying stocks and holding them for the long term
- First-hand research is central to our process
- No investment without interviewing the company's management first

From the company visits and analysis carried out regionally, through to portfolio construction decisions, we adopt a team approach. Diversification at the stock level is our main control of risk. We aim to add value by capitalising on original research and in avoiding fashions. We see equity risk in terms of investing in a poor quality company, or overpaying for a good one.

### **The Aberdeen equity investment process**



### **Active management**

We aim to add value by identifying good quality stocks, defined chiefly in terms of management and business model, which are attractively priced. Good stock picking is the key to our performance. We downplay benchmarks in portfolio construction since these provide little clue to future performance. Our asset managers avoid businesses that we do not understand or those with discriminatory shareholder structures.

We may also apply our quality and valuation framework to enter into short sales of companies where fundamentals are deteriorating and where our own estimates of future earnings and applied valuations are inconsistent with those discounted in the broader market.

### **Proprietary research**

Our mainstream equity managers always visit companies before investing, making thousands of visits annually to existing and prospective holdings. Every contact is documented in detail. If a security fails our screens, we will not own it, irrespective of its index weight.

### **Long-term focus**

Our mainstream strategies are simple; we buy and hold, add on price dips and take profits on price rises. This reduces transaction costs and keeps portfolios focused. We rarely pursue short-term returns for mainstream equity strategies, albeit for specialist portfolios, activity may be more dynamic.

### **Team approach**

We employ over 100 equity investment professionals globally. Portfolio decisions are made collectively, and we avoid cultivating 'star' fund managers. Cross-coverage of securities also increases objectivity and lessens reliance on individuals.

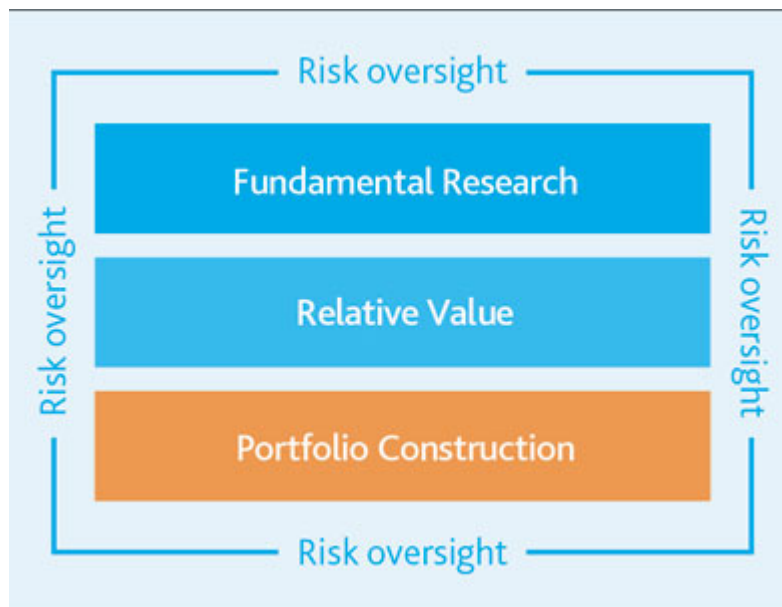
### **Fixed Income**

Aberdeen's fixed income process dates back to the 1980s. Our alpha teams are responsible for generating investment strategies within their specialist areas, while our product teams are responsible for allocating and monitoring risk budgets, tailoring investment strategies for individual portfolios and are accountable for overall performance.

#### **Key points**

- Active management, operating globally, aiming to deliver outperformance
- Using diversified sources of added value to improve the risk-return profile
- Specialist decision makers, working within allocated risk budgets.
- Global perspective in global mandates
- Strong derivatives capability for both active and liability management

#### **Our fixed income investment process**



### **Active management**

We give our client added value by exploiting market inefficiencies in interest rates, currency, investment grade credit, emerging market debt and high yield. We have dedicated portfolio managers and analysts in the three main time zones. They operate as close-knit teams, delegating investment decision-making to specialists, depending on their knowledge and expertise.

### **Flexible and disciplined investment process**

Our investment structure enables us not only to follow a disciplined investment process but also to be flexible to manage portfolios for a wide variety of client requirements. This may range from strategies which employ multiple sources of uncorrelated returns to those that are focused on a particular specialist area.

### **Diverse solutions**

Fixed income is not a static area. Many clients are moving to higher performance or core plus mandates, with others moving away from market-based indices and the use of liability driven benchmarks. We aim to deliver superior performance across the full range of our fixed income capabilities. We also use derivatives, such as interest rate and credit default swaps, to add value and match liability exposures.

### **Team approach**

There are more than 171 investment professionals working across our international teams. They make investments according to clearly defined parameters, and work within clear reporting structures based on transparency and accountability.

### **Aberdeen Solutions**

Aberdeen Solutions is an umbrella of three investment divisions within Aberdeen covering (1) Alternative Investments; (2) Investment Solutions; and (3) Quantitative Strategies.

#### **Key points**

- We aim to help our clients discover the right path to navigate an uncertain market environment
- Well-resourced team, offering alternative sources of returns and efficient risk management
- Broad skill sets, including strategic and tactical asset allocation, manager selection, portfolio construction and dynamic risk management
- Service delivery through channels that suit client needs, including pooled funds, bespoke portfolios and advisory

Aberdeen Solutions team provides in depth advice on investment strategy and portfolio construction to portfolio management teams. The team comprises over 80 investment professionals based in London, Edinburgh, Paris, Singapore, Tokyo and Philadelphia. We have strong capabilities for investing across a wide range of investments. These include multi-asset and multi-manager, pan alternative, hedge fund, property and private equity.

#### **Alternative Investments**

Alternatives include multi-manager investments in liquid strategies (such as hedge funds); private markets (such as private equity and venture capital) and real assets (such as property). The division also includes a direct investing Infrastructure capability.

#### **Multi-Manager Alternatives:**

Through our Alternatives fund portfolios, we seek to provide attractive risk-adjusted returns. We do this through a focus on robust fundamental research. We have structured our multi manager alternatives business around three investment desks: hedge funds, private equity and property. Each desk focusses on strategy research, manager selection and portfolio management in its area. Our goal is to fully understand the dynamics of different alternative strategies, sub-strategies and asset classes and to excel in identifying the best in-class managers.

We aim to deliver attractive risk-adjusted returns by identifying and understanding the dynamics and characteristics of various alternative investment strategies, along with their associated risks, and allocating to them within our clients' portfolios according to each portfolio's objectives and constraints. We review our opinions continually and, over time, we adjust allocations to reflect our evolving thinking on the investment environment. We have integrated risk management at manager selection and portfolio analytics stages and we manage risk using a combination of qualitative and quantitative techniques.

Identifying best in class managers requires diligent analysis of a combination of factors, including investment style, performance, volatility, and investment and operational infrastructure. Our manager

selection philosophy is based on proactive sourcing and in-depth analysis, through which we seek to identify quality and build high conviction views. Through our proactive sourcing, we actively seek alternative investment opportunities, many of which may not be widely available. We seek well-resourced and specialist/niche managers with expertise in defined segments such as a particular geography or sector, and a track record over different market cycles. Our in-depth analysis helps us identify attractive investment opportunities and effectively negotiate with fund managers. With our emphasis on quality, we prioritize investment performance and high-quality service in both our work and the work of managers we select. Regardless of the attractiveness of a proposition, however, we will not typically invest in funds for which we cannot conduct a full risk assessment.

We believe our systematic approach to screening, combined with a bottom-up, qualitative focus allows us to select higher-quality managers from a wide universe. This approach is complemented by our top-down strategic allocation process, which considers investment themes and drivers and their impact on the various stages, geographies and sectors of the markets in which we invest. The allocation process provides us with an objective portfolio construction framework and, when combined with directed research within the team, identifies investment themes, opportunities and hazards. For liquid strategies, we apply further quantitative rigor into our analysis and optimization in portfolio construction. This is done in conjunction with the portfolio analytics team in our Investment Solutions division.

Each of the multi-manager alternative investments desks operates its own Investment Committee where manager selection recommendations are considered for approval and strategy views are discussed and agreed. Each investment team undertakes thorough due diligence and provides detailed reports to the relevant committee when seeking such approvals. These approvals feed into our global buy list of third party alternative managers and funds. When considering private market investments (e.g. private equity and private real estate funds) each fund goes through a number of screening stages, with the assistance of various proprietary systems, including deal-flow, fund cash-flow modeling and portfolio analysis, before being considered for approval by the relevant Investment Committee.

All investments require the support of our independent the operational due diligence team, who conduct a detailed assessment of the operational infrastructure of any fund in which we recommend investment.

Where client portfolios invest across multiple investment styles, an overarching Pan-Alternatives Investment Committee oversees allocations and ratifies recommendations.

#### Direct Infrastructure

Our direct infrastructure funds aim to build a diversified portfolio of investments in primary/greenfield social and economic infrastructure projects (PPP/P3). Our team is made up of 24 investment professionals based in London, Edinburgh, Paris, Madrid and Sydney. Our infrastructure investment process can be broken down into four stages: 1) investment sourcing and partner alignment; 2) deal evaluation and selection; 3) due diligence; 4) and investment approval process. Initially our team sources investments and aligns partnerships. The careful selection of industry partners is at the core of our investment strategy. Access to funds in our target market is largely based on partnering with the strongest consortium partners to increase the chances of success in the bidding process and to reduce the risk during the construction and operational phases through their experience and financial strength. Having carefully selected the best partners to work with, and identified those projects that present the optimum risk/reward profile, our ability to convert opportunities into investment mandates will be predicated upon the success rate in bidding. We follow a specific process of partner and project selection in the context of the bidding and procurement process in the target market.

Once partners and projects have been chosen, rigorous due diligence is undertaken on each asset within the transaction pipeline. Our due diligence process always engages comprehensive analytical techniques, including financial modeling, to explore the risk and return profile of investment opportunities and the resilience of cash flows. Finally, an investment approval process is undertaken before making an investment recommendation to the General Partner of the relevant fund vehicle. This includes a substantive approval challenge process throughout its gestation prior to the point at which a formal recommendation is made to invest. The approval process is carried out under the overall supervision of the General Partner and all decisions in respect of the acquisition of investments will be made by the General Partner.

We manage portfolios over the period of a fund's ownership to safeguard the fund's investments and to maximize returns to investors. The General Partner will, with assistance of the investment advisor to the Fund (as necessary), take a proactive management approach to the Portfolio.

### **Investment Solutions**

Aberdeen's Investment Solutions division delivers multi-asset investment solutions to our clients through a range of funds and investment-related services. Service delivery is accomplished through channels that best suit client needs, including pooled funds, bespoke portfolios and advisory services. The broad skill sets within the Investment Solutions team include strategic and tactical asset allocation, manager selection, portfolio construction and dynamic risk management.

We believe that attractive risk-adjusted returns can be achieved from multi-asset investing. Over the longer term, all asset classes are driven by economic fundamentals; by identifying inefficiencies in valuations between markets (which occur over both shorter and longer time periods) we believe that value can be added to client portfolios through dynamic allocations to different assets and markets. This philosophy applies as equally to mainstream asset types such as equity, fixed income, and cash as it does to alternative asset classes, including real estate, venture capital, private equity and hedge funds. We aim to deliver the appropriate balance between risk and return by diversifying across a wide range of traditional and alternative assets and by actively managing the asset allocation and underlying investments. We divide the key elements of the investment process into two broad categories of Research and Portfolio Management:

Research is undertaken on both markets (Global Strategy) and managers (Manager Selection), including research on Aberdeen's own products within single asset class strategies. The research output provides market views at the asset class and sub asset class level as well as a fund, or vehicle/strategy buy list, both of which provide a platform for portfolio managers to build portfolios. Within the Portfolio Management function, there are specialist roles focusing on portfolio modeling and construction as well as implementation. Portfolio managers work as a team alongside the research function with individuals overseeing different client categories while managing different types of portfolios.

The Global Strategy team is primarily responsible for providing Portfolio Managers with input on market research. The team has two primary tasks with regard to the inputs provided to portfolio managers. It first produces long term expected returns that are used in designing the long term strategic allocation of portfolios. Those expected returns result from both quantitative modeling and long term macro and financial views.

Secondly, on a shorter term horizon (3 to 12 months), the team provides views on asset classes and markets that are used by the portfolio managers as a global framework to make their tactical asset allocation decisions. Those views are summarized through a core scenario as well as alternative scenarios representing the relative risks to our core scenario. The scenarios are discussed and agreed upon at the monthly Investment Policy Committee meeting involving the Global strategy team and the heads and senior management of the portfolio management teams.

Our Manager Selection team undertakes research into third-party managers/funds and Aberdeen managed funds. The team undertakes thorough due diligence to identify the best available funds across different asset classes and investment styles. The due diligence process involves both quantitative and qualitative assessment of a number of key criteria, such as: management company; staff; operations; mandate; risk management process; and investment process. The approved funds are then added to our global buy list (i.e. our universe of investible external funds plus eligible Aberdeen funds). The funds on the global buy list are used by portfolio managers in constructing portfolios.

We believe that active allocation, underpinned by rigorous research is the key to successful client outcomes, and the following principles are at the heart of our philosophy. We believe that there are 3 layers of value-add opportunity: Strategic Asset Allocation (SAA); Tactical Asset and Sub-Asset Class Allocation (TAA); and Manager Skill. This is best achieved through the power of collective wisdom underpinned by rigorous research which is delivered through a combination of quantitative analysis and qualitative judgment.



The outputs from the Global Strategy research and the Manager Selection process are used by the Portfolio Management teams to inform asset allocation decisions. The asset allocation views and preferred funds identified at this stage will then be provided to the Portfolio Construction team.

Portfolio construction aims to achieve, in a transparent and consistent manner, the appropriate risk-return trade-off for each portfolio. Based on the asset allocation views expressed by the portfolio management teams, and the preferred funds, a set of model portfolios are produced reflecting the different investment styles/policies of existing client's portfolios. Portfolio construction is based on both quantitative and judgmental inputs. There are three steps in portfolio construction, during which there is full interaction between the portfolio management teams and the portfolio construction team to arrive at the model portfolios.

The first step is to design a long term strategic allocation using the long term expected returns as defined by the Global Strategy team. This step takes place once a year or when a new portfolio is created. Optimization is a fundamental aspect of the long term strategic allocation planning. The second step derives the tactical allocation weights from the strategic allocation and the tactical allocation views from the portfolio managers. We also take into account the specific guidelines and the level of risk appetite to define the magnitude of the weights. The third step formalizes the model portfolio that will be used as a reference by portfolio managers for final implementation of the real portfolios. The model portfolio results from iterative work where different specific risks (VaR, tail risk, factor sensitivities, manager clustering, etc.) are analyzed in the context of portfolio holdings. These provide a full understanding of the underlying risks of the portfolio.

Our portfolio decomposition system provides us an evaluation of the Value-at-Risk (VaR) of the portfolio at any given point, and also its decomposition into underlying holdings, strategies, and geographic markets. Estimation of tail loss is continually made and is used to de-risk portfolios if necessary. We examine factor exposures with a view to ensuring that any particular exposures are appropriate and intentional. This analysis can go beyond simple asset class labels and incorporate underlying risk premium, both traditional and alternative. Based on these risk analyses the model portfolio is then finalized.

Each model portfolio which is representative of a number of (or a single) real portfolio is then used by portfolio managers to derive the construction of real portfolios. Given that the set of real portfolios following a model may differ slightly from each other in terms of risk/return objectives or client guidelines, the portfolio manager applies discretion in constructing the real portfolios. The ultimate portfolio composition is at the discretion of the Portfolio Management team, but the quantitative and qualitative rigor of model portfolios is used as important guidance to manage the risks in each client mandate.

### **Quantitative Strategies**

The investment process starts with establishing the relevant benchmark index to track and a tracking error tolerance for a fund. This will determine the indexing strategy used to manage a fund. For example, if the client is aiming for very low tracking error (<0.10%) we will employ a full index replication strategy whereby the fund holds all the index constituents in same proportions as the index. However, a larger tracking error tolerance will allow the use of an optimized strategy using a statistical model to target tracking error. The goal of this approach, apart from reducing the number of holdings relative to full replication, is to build a portfolio in an optimal way in terms of certain constraints—for example, expected risk and return. There are a number of ways of creating a passive product from straight indexation, as outlined above or Optimized Alpha and Enhanced Equity, Aberdeen offers a range of such solutions.

Once constructed, by whatever strategy, the indexed portfolio must be maintained at all times to ensure that it tracks the index within the required parameters. The portfolio performance is monitored daily to ensure that it is in line with the relevant index and tracking error limits, and the structure of the portfolio in terms of stocks, weights and other factors are also compared to the index. This monitoring process brings together portfolio and index data in a screening format, allowing comparison of performance and weights variances, as well as allowing the team to model index changes ahead of time, ensuring appropriately low cash levels and to minimize turnover and trading costs.

### **Aberdeen Direct Property**

The approach to investment in property reflects the general approach that Aberdeen adopts across all asset classes but is adapted for the particular needs of property. Within property, our approach further reflects our beliefs, understanding and approach to risk management in a property portfolio. At its core are the following aspects:

- We can manage risk, we cannot manage market returns
- We follow a process which does not allow distraction from long-term goals
- We build high-conviction portfolios, bottom up
- We invest on the basis of quality first, then price

Our investment process is designed consistently to meet our investors' and funds' objectives. Whilst our investors' and funds' objectives may be set out in terms of a required return, it is our role to explain, communicate and manage the risks that we believe are commensurate with such a return objective. It is therefore paramount that we understand our investors' or funds' objectives and tolerance for risk before implementing our investment process. We gain such an understanding through regular, clear and open communication directly with our investors or with the appropriate decision-making body. The (re-)confirmation of the parameters within which we operate the mandate is made explicit, at least annually and in written form. This must include:

- A summary of the adopted investment plan
- Our view on the potential returns available from already-invested equity and newly-invested equity
- Our view on fundamental value in the market
- Our view of the potential risks in the market
- If applicable, our view on the role of debt in the portfolio
- Any constraints on the portfolio (due to size, investor requirements etc.,) which may impact performance
- The risk and opportunities of the individual investments in the current portfolio

Our investment process has three phases; 1) the allocation; 2) selection; 3) and management of risk. The fund management team is central to the operation of the process, supported by the wider property team, group support and external consultants as appropriate. We set an investment plan that provides a risk budget aligned with our investors' and funds' tolerance for risk and our view on the absolute value available in the market from various investment decisions. We implement an investment plan through the identification of appropriate risks to form part of an overall risk budget, holding, selling and buying as appropriate. We manage the bundle of risks within the portfolio on a day-to-day basis to maximize the return given those risks or to change those risks to exploit market circumstance

The selection of investments for acquisition or sale is carried out by a team with the Fund Manager taking final responsibility within the framework set out by the investment plan. This team will most often include, at least:

- the fund management team
- transactions
- asset management
- research and strategy, and
- treasury (where debt is included)

This team-based approach ensures that we gather our collective wisdom at the point of first introduction and as we carry out the underwriting and acquisition or sale process through to the management of risk phase. Potential investments are screened by the investment management team in two phases; quality first, then price. The first phase, quality phase is at a deals screening meeting coordinated by the regional head of transactions. The second phase emphasizes investment risk for those investments that have already passed through the quality screen and ultimately determine the pricing of that risk.

Quality is defined as the ability for a property to deliver a durable income stream with the potential for growth. Factors influencing this are shown in the following chart. We do not define quality as a brand new

building in a prime location. Properties must be fit of purpose in their market and be able to generate a durable income stream with the potential for the long term growth of that income. Once an investment has passed through the quality screen, it can then be assessed for its investment risk.

Each asset is assigned a risk premium based upon the team's view of location, durability of income, tenant quality, building specification and tenure. An additional risk premium is produced where debt is utilized.

A pro forma is used for both due diligence checking and for presentation of investment decisions to the investment committee. These are standard across the direct property business and regularly reviewed to include or exclude particular features as deemed necessary.

### **Investment Strategy Risks**

As with any investment, there is no guarantee that a portfolio will achieve its investment objective. Investing in securities involves risk of loss that clients should be prepared to bear. However, clients should be aware that not all of the risks listed below will pertain to every account as certain risks may only apply to certain strategies. It is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held. Given the volume of new rules and regulations in the industry, we are continuously reviewing the application of our risks.

While we seek to manage accounts so that risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients and other investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Clients and other investors should read carefully all applicable informational materials and offering/governing documents, including offering memorandums and prospectuses prior to retaining Aberdeen to manage an account or investing in any Aberdeen investment product.

Clients and other investors should be aware that while Aberdeen does not limit its advice to particular types of investments, mandates may be limited to certain types of securities or to the recommendation of investment advisers or managed funds, and may not be diversified. The accounts managed by Aberdeen are generally not intended to provide a complete investment program for a client or investor. Clients and other investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

Below is a summary of the material risks associated with our significant strategies and methods of analysis. Not all possible risks are described below.

**Allocation Risk** – The allocation among different investment opportunities may have a significant effect on a portfolio's value when one of these investments is performing more poorly than others. There will be transaction costs which may be significant over time because both the direct investments and derivative positions will be adjusted periodically to reflect our view of market and economic conditions. In addition, there is a risk that certain allocation decisions may not achieve the desired results and, consequently, a portfolio may incur losses.

**Bank Loans** – Bank loans include floating and fixed rate debt obligations. Floating rate loans are debt obligations issued by companies or other entities with floating interest rates that reset periodically. Floating rate loans are secured by specific collateral of the borrower and are senior to most other securities of the borrower (e.g., common stock or debt instruments) in the event of bankruptcy. Floating rate loans are often issued in connection with recapitalizations, acquisitions, leveraged buyouts, and refinancing. Floating rate loans are typically structured and administered by a financial institution that acts as the agent of the lenders participating in the floating rate loan. Floating rate loans may be acquired directly through the agent, as an assignment from another lender who holds a direct interest in the floating rate loan, or as a participation interest in another lender's portion of the floating rate loan.

**Borrowing Risk** – Borrowing creates leverage. The use of leverage may subject investments to additional risk and could magnify losses. It also adds to any given portfolio expenses, and at times could effectively force a portfolio to sell securities when it otherwise might not want to do so.

**Business Continuity Risk** – We have adopted a business continuity plan to maintain critical functions in the event of a partial or total building outage affecting our offices or a technical problem affecting applications, data centers or networks. The plan is designed to limit the impact on clients from any business interruption or disaster. Nevertheless, our ability to conduct business may be curtailed by a disruption in the infrastructure that supports our operations and the regions in which our offices are located.

**Business and Regulatory Risk** – Legal, tax and regulatory changes may occur in the future that may adversely affect investors. The effects of any future regulatory change are impossible to predict and could have substantial adverse effects on both investors and investment strategies.

**Cash Flow Risk** – The yields available from equity investments in real estate depend in large part on the amount of income generated and expenses incurred. If the investments do not generate revenues sufficient to meet operating expenses, including debt service, tenant improvements, leasing commissions and other capital expenditures, clients may be required to fund or borrow additional amounts to cover fixed costs, and the cash flow of such client account (and, with respect to investment funds, its ability to make distributions to shareholders) will be adversely affected. Although each client will be investing in a range of investments, all real estate investments are speculative in nature and the possibility of partial or total loss of capital exists.

**Changes in Underlying Managers** – It is expected that in the instance of the redemption of assets or termination of an underlying manager, the resultant assets and cash proceeds will be invested with a replacement underlying manager. This could result in increased turnover rates and higher corresponding brokerage fees and commissions.

**Co-Investment Opportunities** – With respect to private equity funds, from time to time, Aberdeen may offer co-investment opportunities in its sole discretion. Aberdeen is not expected to offer co-investment with respect to all of a fund's investments, and may allocate any such opportunities in its sole discretion, including for example, on the basis of the size of investor commitments to the funds, vehicles, and separately managed accounts. The allocation of co-investment opportunities may involve a benefit to Aberdeen including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to other funds. Aberdeen may form committed co-investment vehicles both during and following a fund's fundraising period to participate alongside a fund in investment opportunities that Aberdeen has determined in good faith exceed prudent diversification levels for such fund. The capital committed to such co-investment vehicles would not be included in the overall size limitation on a fund's investment program.

**Commitment Strategy Risks** – With respect to private equity funds, Aberdeen may expect certain funds to draw down less capital than a client has committed to those funds. If the relevant Aberdeen related person decides it is in the best interest of the client to fully deploy the total capital commitments of the client, such Aberdeen related person may make aggregate commitments to funds that exceed the aggregate capital commitments of the client. Although Aberdeen and its affiliates will monitor cash flow projections closely, there can be no assurance that any client will be able to meet all of its commitments to the funds or otherwise successfully implement its commitment strategy. If a client is not able to meet all of its commitments to the funds, such client may be subject to penalties arising under the terms of its contractual commitments with respect to its investment in funds, including, without limitation, being required to sell its interest in a fund or forfeiting a portion of its investment in an investment fund. In such cases, the client's return from such fund could be materially lower than it would have been had the client been able to meet all of its commitments.

**Competitive Investment Environment** – The activity of identifying, completing and realizing venture capital, private equity and real assets investments is highly competitive and involves a high degree of uncertainty. We may, at times, be in competition with other funds and managers with similar investment objectives for the acquisition of the same targets. This may have adverse effects on investment objectives and returns and, at times, may result in not being able to enter, even partially, into a targeted investment position.

Conflicts of Interest – Due to the structure of Aberdeen, it is possible that we may hold or trade the same securities and instruments as our underlying fund managers in which we invest. Additionally, we may utilize similar techniques and strategies as those adopted by our underlying fund managers. As a result, we may directly or indirectly compete with our underlying managers and investment vehicles on an “arm’s length” basis. In the event that knowledge of a conflict of interest does arise, we will endeavor to ensure that it is resolved fairly and at arm’s length.

Convertible Bond Arbitrage – Underlying fund managers may engage in convertible bond arbitrage and the positions intended to offset one another may not move as expected. In addition to the risks associated with fixed income, these types of strategies have risks associated with equity investments. Although the underlying fund manager is expected to hedge all equity exposure, there can be no assurance that such exposures won’t exist or that such hedges will be effective.

Concentration Risk – The risk that if a portfolio concentrates its investments in issuers within the same country, state, industry or economic sector, an adverse economic, business or political development may affect the value of the portfolio’s investments more than if its investments were not so concentrated.

Convertible Securities Risk – The value of a convertible security will vary based on the perceived value of the equity security underlying the convertible security. Convertible securities are frequently issued with a call feature that allows the issuer to choose when to redeem the security, which could result in the accounts being forced to redeem, convert, or sell the convertible security under circumstances unfavorable to the accounts. In addition, if the value of the equity security underlying the convertible security declines enough, the convertible security is more likely to be valued as a debt security and subject the accounts to the risks of debt securities as described herein.

Counterparty Risk – A portfolio may be exposed to the credit risk of counterparties with which, or the brokers, dealers, custodians and exchanges through which, it deals in connection with the investment of its assets, whether engaged in exchange-traded or off-exchange transactions.

Credit/Default Risk – An issuer or guarantor of a fixed income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.

Credit Spread Risk – Changes in credit spreads will affect the value of financial instruments. Credit spreads represent the credit risk premiums required by market participants for a given credit quality. When credit spreads widen, the value of investments in fixed income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Credit spreads can be driven by macroeconomic factors as well as issue specific factors.

Cross-Class Liabilities – If the investment vehicle held by an underlying manager offers multiple share classes, there is the potential that losses in a share class not held may have an adverse effect on its NAV.

Currency Hedging Risks – There can be no guarantee or assurance that any attempt to protect against adverse currency movements will be successful. As such, hedging transactions may result in a poorer overall performance and any realized loss resulting from these currency hedging strategies may also affect the level of redemptions required of our underlying managers. In extreme circumstances, this may result in the concentration of the underlying manager’s investments in less liquid or illiquid investments.

Currency Risk – Fluctuations in currency exchange rates may negatively affect the value of your portfolio’s investments or reduce its returns.

Cyber Security Risk – Aberdeen, like all companies, may be susceptible to operational and information security risks. Breaches in cyber security include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber-attacks. Cyber security failures or breaches of Aberdeen or its service providers or the issuers of securities in which Aberdeen invest have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability of Aberdeen's clients to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. Aberdeen and its clients could be negatively impacted as a result. While Aberdeen and its service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified.

Debt Securities Risk - Debt securities in which an account may be invested may be unrated or lower-rated, and may have a risk profile closer to that of an equity security. Compared to other debt securities, those issues with the lowest investment-grade ratings (often called "junk bonds") are considered to have speculative characteristics. Debt securities that are below investment grade or unrated generally are considered predominately speculative with respect to the issuer's capacity to pay interest and repay principal according to the terms of the obligation and, therefore, carry greater investment risk, including the possibility of default and bankruptcy. They are likely to be less marketable and more adversely affected by economic downturns than high-quality debt securities. The accounts may invest in debt securities without considering the maturity of the instrument. Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities can be more sensitive to interest rate changes. Therefore, changes in interest rates both in the U.S. and outside the U.S. may affect the accounts' debt investments unfavorably.

Depository Receipts – Depository receipts may be issued in a sponsored program, where an issuer has made arrangements to have its securities traded in the form of depository receipts, or in an unsponsored program, where the issuer may not be directly involved. The holders of depository receipts that are unsponsored generally bear various costs associated with the facilities, while a larger portion of the costs associated with sponsored depository receipts are typically borne by the foreign issuers. Investments in unsponsored depository receipts may be subject to the risks that the foreign issuer may not be obligated to cooperate with the U.S. depository, may not provide additional financial and other information to the depository or the investor, or that such information in the U.S. market may not be current. The depository of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited securities or to pass through the voting rights to facility holders with respect to the deposited securities. Available information concerning the issuers may not be as current for unsponsored depository receipts and the prices of unsponsored depository receipts may be more volatile than would be the case if the receipts were sponsored by the issuers.

Derivatives Risk – Derivatives are financial instruments that have a value which depends upon, or is derived from, the value of something else, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for your portfolio, and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, your portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses.

Gains or losses involving derivative instruments may be substantial, because a relatively small price movement in the underlying security(ies), instrument, currency or index may result in a substantial gain or loss. Derivatives will typically increase exposure to the principal risks to which the Fund is otherwise exposed, and the following additional risks:

- **Counterparty credit risk** – A counterparty to the derivative instrument becomes bankrupt, insolvent, enters administration, liquidates or otherwise fails to perform its obligations due to financial difficulties, and the Fund may obtain no recovery of its investment or may only obtain a limited recovery, and any recovery may be delayed. As mentioned below, the Fund may have one or more prime brokerage relationships which further magnifies counterparty credit risk as certain derivative

transactions are likely to be concentrated among one or two counterparties, and therefore increase the Fund's credit risk exposure to such counterparties.

- Hedging risk – derivative instruments used to hedge against an opposite position may offset losses, but they may also offset gains.
- Correlation risk – There may be an incomplete correlation between the hedge and the opposite position, which may result in increased or unanticipated losses.
- Liquidity risk – An instrument may be difficult or impossible to sell or terminate, which may cause the client to be in a position to do something we would not otherwise choose, including accepting a lower price for the derivative instrument, selling other investments or forgoing another, more appealing investment opportunity.
- Leverage risk – Losses from the derivative instrument may be greater than the amount invested in the derivative instrument.

Deterioration of Market Conditions – In the case of extreme and continued market disruptions, attractive investment returns may be adversely affected. Continued market disruption or deterioration of market conditions and uncertainty could result in decreases in the market values of existing or potential investments. Additionally, liquidity may be affected, resulting in the inability to sell or liquidate investments at favorable times or prices. These circumstances may adversely impact the ability to meet investment objectives.

Dilution Levy Risk – Investment in underlying funds may subject the investor to dilution levies, which are fees charged by fund managers on investors buying and selling units in a fund. These fees may be applied at any combination of the purchase and sale of a unit and may have adverse effects on the returns of the investment.

Distressed Investments – Underlying fund managers may invest in securities and obligations of companies that are experiencing financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These investments involve a substantial degree of risk and may not compensate investors adequately for the risks they assume. Due to the degree of complexity and unpredictability of bankruptcy and other insolvency proceedings, investors may be adversely affected.

Due Diligence Process – The due diligence process that we intend to undertake may not reveal all material facts or circumstances. Any due diligence process involves subjective analysis and there can be no assurance that this process will reveal all issues related to the potential allocation of assets to underlying fund managers.

Effect of Substantial Redemptions – Redemptions by investors in the underlying funds held by a strategy within a short period of time may require the underlying fund manager to liquidate positions more rapidly than desired. This may lead to a reduction in value of the underlying funds' assets or a disruption of the investment strategy. Additionally, this may lead to an increase in the concentration of the underlying funds in illiquid assets which could, in turn, reduce the liquidity of the shareholder's position.

Event Arbitrage – Arbitrage opportunities may exist in securities which are subject to tender offers, exchange offers, mergers, liquidations, reorganizations, bankruptcies or other extraordinary corporate transactions. Although it is expected that the underlying fund managers hedge such exposures, there can be no guarantee that these hedges will either be in place or be effective.

Emerging Markets Risk – Foreign investment risk may be particularly high if a portfolio invests in emerging market securities that are economically tied to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries.

Equity Securities Risk – Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Equity securities also include, among other things, preferred stocks, convertible stocks and warrants. The values of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may

also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. Your portfolio at any point in time may be worth less than the amount that you invested, even after taking into account the reinvestment of dividends and distributions. Regardless of how well an individual investment performs, if financial markets go down, you could lose money.

Focus Risk – A portfolio which invests a larger percentage of its assets in a relatively small number of issuers may be subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by a portfolio may affect the overall value of the account more than it would affect an account that holds a greater number of investments.

Foreign (Non-U.S.) Risk – A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. The prices of these securities may fluctuate more widely and may be less liquid due to adverse market, economic, political, regulatory or other factors.

Forward Commitment Risk – When a portfolio engages in when-issued, delayed delivery or forward commitment transactions (e.g., "to be announced" securities or TBAs), the portfolio relies on the counterparty to consummate the sale. Failure to do so may result in the strategy missing the opportunity to obtain a price or yield considered to be advantageous. Such transactions may also have the effect of leverage on the strategy and may cause it to be more volatile. Additionally, these transactions may create a higher portfolio turnover rate.

Forward Foreign Currency Contracts – We may enter into forward foreign currency contracts, which are types of derivative contracts whereby we may agree to buy or sell on behalf of a client a country's currency at a specific price on a specific date, usually 30, 60, or 90 days in the future for a specific exchange rate on a given date. These contracts may, however, fall in value due to foreign market downswings or foreign currency value fluctuations. A fund may enter into forward foreign currency contracts for investment purposes, for risk management (hedging) purposes, and to increase flexibility. A fund's investment of hedging strategies may be unable to achieve their objectives. These risks are in addition to the general "Derivatives Risks" described above.

Futures Contracts – We may enter into futures contracts on behalf of client accounts, including currency, bond, commodity, index and interest rate futures, for investment purposes, for risk management (hedging) purposes, and to increase flexibility. The volatility of futures contracts prices has been historically greater than the volatility of stocks and bonds. The liquidity of the futures markets depends on participants entering into off-setting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced. In addition, futures exchanges often impose a maximum permissible price movement on each futures contract for each trading session. A client's account may be disadvantaged if it is prohibited from executing a trade outside the daily permissible price movement.

General Partner Risk – Governing documents often limit the circumstances under which a general partner, manager and their affiliates can be held liable to a real estate fund or a fund. As a result, investors may have a more limited right of action in certain cases than they would otherwise have in the absence of this provision.

Growth Investing Risk – As a category, growth stocks may underperform value stocks (and the stock market as a whole) over any period of time. Because the prices of growth stocks are based largely on the expectation of future earnings, growth stock prices can decline rapidly and significantly in reaction to negative news about such factors as earnings, the economy, political developments, or other news.

High Yield Risk – Portfolios that invest in high yield securities, lower-rated or unrated securities, may be subject to greater levels of credit and liquidity risk than accounts that do not invest in such securities. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and lead to liquidity risk. If the issuer of a security is in default with respect to interest or principal payments, an account may lose its entire investment.



**Inflation-Indexed Bond Risk** – Any rise in interest rates may cause inflation-indexed bonds to decline in price, hurting the portfolio's performance. If interest rates rise owing to reasons other than inflation, the portfolio's investment in these securities may not be fully protected from the effects of rising interest rates. The performance of any bonds that are indexed to non-U.S. rates of inflation may be higher or lower than those indexed to U.S. inflation rates. A portfolio's actual returns could fail to match the real rate of inflation.

**Insider Information** – We may, from time to time, come into possession of confidential information that is both material and non-public. For regulatory and contractual reasons we may not be permitted to disclose or act upon this information. The result may be the inability to fully communicate all knowledge of an investment to an investor.

**Initial Public Offering ("IPO") Risk** – Prices of securities bought in an IPO may rise and fall rapidly, often because of investor perceptions rather than economic reasons.

**Insurance Risk** – When owning or managing properties, there are additional risks that might not present themselves as compared to traditional asset classes. While the properties may in some cases be insured, this is no way an insurance of investment or principal and there are various uninsured and/or uninsurable risks that are present (such as natural disaster) and therefore investment carries greater risk of loss.

**Interest Rate Risk** – Changes in interest rates will affect the value of a portfolio's investments in fixed income securities. When interest rates rise, the value of investments in fixed income securities tend to fall, and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.

**Inverse Floating Rate Securities Risk** – The interest payment received on inverse floating rate securities ("inverse floaters") generally will decrease when short-term interest rates increase. Inverse floaters are derivatives that involve leverage and could magnify a client's gains or losses.

**Investment Company and Exchange-Traded Fund ("ETF") Risk** – An investment in an investment company or ETF involves substantially the same risks as investing directly in the underlying securities. An investment company or ETF may not achieve its investment objective or execute its investment strategy effectively, which may adversely affect your portfolio's performance. A portfolio must pay its pro-rata portion of an investment company's or ETF's fees and expenses. Shares of a closed-end investment company or ETF may trade at a premium or discount to the net asset value of its portfolio securities.

**Issuer Risk** – The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

**Key Person Risk** – Underlying funds are generally reliant on certain key investment personnel employed in managing assets. Termination, disability, death, or departure of key personnel could adversely affect the underlying fund and its performance.

**Liquidity Risk** – In certain situations, it may be difficult or impossible to sell an investment in an orderly fashion at an acceptable price.

**Managed Futures Strategy/Commodities Risk** – Exposure to the commodities markets (including financial futures markets) through investment in managed futures programs may cause greater volatility than investments in traditional securities. Prices of commodities and related contracts may fluctuate significantly over short periods for a variety of reasons, including changes in interest rates, supply and demand relationships and balances of payments and trade; weather and natural disasters; and governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies. The commodity markets are subject to temporary distortions and other disruptions. U.S. futures exchanges and some foreign exchanges have regulations that limit the amount of fluctuation in futures contract prices which may occur during a single business day. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

Management Risk – We will apply our investment techniques and risk analyses in making investment decisions for your portfolio, but there is no guarantee that our techniques will produce the intended results. For research or investment techniques that incorporate or rely upon quantitative models, there is no guarantee that these mathematical models will generate accurate forecasts, reduce risks or otherwise produce the intended results.

Market Capitalization Risk (Small-, Mid- and Large-Cap Stocks Risk) – To the extent an investment emphasizes small-, mid-, or large-cap stocks, it takes on the associated risks. At any given time, any of these market capitalizations may be out of favor with investors. Compared to small- and mid-cap companies, large-cap companies may be less responsive to changes and opportunities, but their returns have sometimes led those of smaller companies, often with lower volatility. The stocks of small- and mid-cap companies may fluctuate more widely in price than the market as a whole, may be difficult to sell when the economy is not robust or during market downturns, and may be more affected than other types of stocks by the underperformance of a sector or during market downturns. In addition, compared to large-cap companies, small- and mid-cap companies may depend on a more limited management group, may have a shorter history of operations, and may have limited product lines, markets or financial resources. There may also be less trading in small- or mid-cap stocks, which means that buy and sell transactions in those stocks could have a larger impact on a stock's price than is the case with large-cap stocks.

Market Risk – The value of a portfolio's assets will fluctuate along with the markets. The value of your investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.

Mortgage-Related and Other Asset-Backed Securities Risk – Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. Consequently, in a period of rising interest rates, if an account holds mortgage-related securities, it may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of an account because the account may have to reinvest that money at the lower prevailing interest rates. A portfolio's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

Multi-Jurisdictional Investment – The investments we make may be subject to a variety of jurisdictions, each of which may have unique economic, political, social, cultural, business and labor environments, laws, regulations, accounting practices and business customs. These differences may be considerable and no single method of investment can be applied uniformly or be expected to produce uniform results.

Multi-Manager Investing Risk – A strategy's relative performance is subject to the investment decisions made by each underlying fund. The performance of a small number of underlying funds could affect overall performance. Additionally, underlying funds may compete with one another from time to time for the same positions in the market and may potentially hold opposite positions in the same securities. Consequently, there can be no assurance that a diversification strategy implemented will be successful.

Multiple Levels of Fees and Expense Risk – Investment in a multi-manager strategy will generally incur certain fees at two levels: the fund of funds vehicle and the underlying funds themselves. These fees potentially include both management and performance fees, which may increase the expense of the strategy, thus affecting investor returns. Additionally, investor returns may be adversely affected during periods in which there are overall portfolio losses due to the potential that performance fees may be earned by one or more of the underlying portfolio managers.

Municipal Securities Risk – A portfolio may be impacted by events in the municipal securities market. Negative events, such as severe fiscal difficulties, an economic downturn, unfavorable legislation, court

rulings or political developments, or reduced monetary support from the federal government, could hurt a portfolio's performance.

Non-Discretionary Account Risk – There may be circumstances where Aberdeen provides positive advice in writing concerning an underlying fund or manager, but a non-discretionary client chooses not to act on that advice. Aberdeen may or may not have made a discretionary investment in or with the underlying fund or manager for its discretionary clients. If, subsequently, Aberdeen's opinion of such underlying fund or manager changes and Aberdeen decides to redeem from the underlying fund or manager on behalf of its discretionary clients, Aberdeen may or may not inform its non-discretionary advisory clients of the decision to redeem. Therefore, advisory clients should not rely on stale advice from Aberdeen to make investments in or with underlying funds or managers. Aberdeen recommends that non-discretionary advisory clients request that investment advice provided by Aberdeen concerning an underlying fund or manager be refreshed after the passage of 30 days. Aberdeen cannot be held responsible for investments made with managers or underlying funds after such point in the event it has not been requested to refresh its advice/due diligence.

Non-Diversification Risk – A portfolio may invest in securities of a relatively few issuers. Therefore, the performance of one or a small number of holdings can affect a portfolio's overall performance.

Operational Risk – A portfolio may suffer a loss arising from shortcomings or failures in internal processes, people or systems, or from external events. This risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.

Options – In order for a call option to be profitable, the market price of the underlying security must rise sufficiently above the exercise price to cover the premium and transaction costs. These costs will reduce any profit that might have realized had it bought the underlying security at the time it purchased the call option. For a put option to be profitable, the market price of the underlying security must decline sufficiently below the exercise price to cover the premium and transaction costs. By using put options in this manner, an account will reduce any profit it might otherwise have realized from appreciation of the underlying security by the premium paid for the put option and by transaction costs. If a put option is sold, there is a risk that we may be required to buy the underlying asset at a disadvantageous price. If a call option is sold, there is a risk that we may be required to sell the underlying asset at a disadvantageous price. If an account sells a call option on an underlying asset that an account owns and the underlying asset has increased in value when the call option is exercised, the account will be required to sell the underlying asset at the call price and will not be able to realize any of the underlying asset's value above the call price.

Political and Economic Risk – Economic and/or political instability could lead to legal, fiscal and regulatory changes or the reversal of legal, fiscal, regulatory and/or market reforms.

Pricing Risk – If market conditions make it difficult to value some investments, we may internally value these investments using more subjective methods such as fair value pricing. In these cases, the value determined for an investment could differ from the value realized upon such investment's sale.

Real Estate Risk – We will be subject to the risks inherent in the ownership, operation, repositioning and development of real estate and real estate-related businesses and assets. These risks include, but are not limited to, the burdens of ownership of real estate property; general and local economic conditions; the supply and demand for properties; the competition for real estate assets; energy and supply shortages; fluctuations in the average occupancy and room rates for hotel properties; the financial resources of tenants, buyers and sellers; changes in building, environmental and other laws and/or regulations; changes in real estate property tax rates; changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; negative developments in the economy that depress travel activity; environmental liabilities; contingent liabilities on disposition of assets; uninsured or uninsurable casualties; natural disasters, terrorist attacks; and war and other factors which are beyond our control. There is no assurance that there will be a ready market for resale of investments because investments will generally not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by our firm or our investments.

Repurchase Agreements Risk – In the instance that an underlying fund manager enters into a repurchase agreement for a security, there can be no guarantee that the transferee of the securities in the agreement will not default. Therefore, any investment of the sort bears the risk of default of the transferee.

Restrictions on Transfer and Illiquidity of Shares – The shares held in a fund of hedge funds and the underlying funds are generally not registered under any securities laws and, therefore, cannot be resold in a public market. Consequently, investors do not have the right to withdraw their investment other than in accordance with the prescribed redemption procedures of the underlying funds. These redemption procedures may be suspended due to certain circumstances that could further affect withdrawals. This potential illiquidity of shares could adversely affect NAV and result in delays in receiving redemptions.

Short Sale Risk – Short sales are subject to special risks. A short sale involves the sale by an account of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. An account may also enter into a short position through a forward commitment or a short derivative position through a futures contract or swap agreement. If the price of the security or derivative has increased during this time, then the account will incur a loss equal to the increase in price from the time that the short sale was entered into plus any premiums and interest paid to the third party. Therefore, short sales involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment.

Short Term Trading Risk – Short-term trading may result in increased turnover, higher than normal brokerage commissions (including soft commissions) and other expenses.

Small-Cap and Mid-Cap Company Risk – Investments in securities issued by small- and mid-capitalization companies involve greater risk than investments in large-capitalization companies. The value of securities issued by small- and mid-cap companies may fluctuate, sometimes rapidly and unpredictably, due to narrower markets and more limited managerial and financial resources than their large-cap counterparts, and therefore may increase the volatility of the account's portfolio.

Swaps/Contracts for Differences – Swaps/Contracts for Differences involve greater risks than direct investment in the underlying securities, because swaps are subject to the risks related to “Derivatives” described above. These transactions or instruments are also subject to the particular risk that they could result in losses if the underlying asset or reference does not perform as anticipated. In a total return swap or contract for differences transaction, one party agrees to pay the other party an amount equal to the total return of a defined underlying asset (such as an equity security or basket of such securities) or a non-asset reference (such as an index) during a specified period of time. In return, the other party would make periodic payments based on a fixed or variable interest rate or on the total return from a different underlying asset or non-asset reference. Such transactions can have the potential for unlimited losses.

Tax Risk – Tax laws and regulations applicable to an account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisers to determine the potential tax-related consequences of investing.

Valuation Risk – The lack of active trading markets may make it difficult to obtain an accurate price for a security held in a portfolio.

Value Investing Risk – As a category, value stocks may underperform growth stocks (and the stock market as a whole) over any period of time. Value investing attempts to identify companies that a portfolio manager believes to be undervalued. Value stocks typically have prices that are low relative to factors such as earnings, cash flow or dividends. A value investing style may perform better or worse than equity portfolios that focus on growth stocks or that have a broader investment style.

## **Item 9 – Disciplinary Information**

Aberdeen Asset Management PLC, the parent company of Aberdeen Asset Management Inc., acquired Artio Global Investors, Inc. (“Artio”) in May 2013. In 2012, Artio self-reported to Finansinspektionen, the Swedish financial services regulator that it had failed to make a timely filing when the interests of Artio’s clients dropped below 5% in a specific Swedish security. The failure to file was due to a systems error which was subsequently corrected by Artio. In late April 2013, Artio was notified that Finansinspektionen would be imposing a fine on Artio for the failure to make the filing in a timely fashion. AAMI received the final invoice for SEK1,000,000 (approximately \$155,000) in October 2013.

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

We are committed to providing clients with service of the highest quality and we are guided by the principle that we act in the best interests of our clients. Nevertheless, there are circumstances where client interests conflict with our interests or the interests of other clients. Some of these conflicts of interest are inherent to our business. We have policies and procedures that are designed to ensure that we are always acting in the best interests of our clients.

Because we are a wholly owned subsidiary of Aberdeen PLC, a global financial services company, we are affiliated with various U.S. investment advisers, a broker-dealer and pooled investment vehicles, among other financial entities. We occasionally may engage in business activities with some or all of these companies, subject to our policies and procedures governing how we handle conflicts of interest. We may use our affiliates to provide other services to our clients to the extent permitted under applicable law.

We provide advice for numerous clients. We may advise some clients or take actions for them that differ from recommendations or actions taken for other clients. We are not obligated to recommend to clients any investments that we may recommend to or purchase or sell for other clients. Our employees regularly share information, perceptions, advice and recommendations about market trends, the valuations of individual securities, and investment strategies, except where prohibited by ethical walls established by us or by applicable law or regulation. Persons associated with us may have investments in securities that are recommended to clients or held in client accounts, subject to compliance with our policies regarding personal securities trading.

AAMI is registered as a commodity pool operator with the National Futures Association. AAMI does not serve, and does not have an application pending to serve, as a commodity trading advisor or futures commission merchant for clients.

### Broker-Dealer and Registered Representatives

Aberdeen Fund Distributors LLC (“AFD”), a wholly owned subsidiary of AAMI, is a limited-purpose broker-dealer formed to distribute our proprietary mutual funds. There are no trades executed through AFD. Certain of our management persons are registered, or have an application pending to register, as registered representatives of AFD.

### Investment Companies

We serve as an investment adviser for a number of U.S. registered investment companies. We also serve as a sub-adviser for various other U.S. registered investment companies.

### Investment Adviser

In rendering investment advisory services, we may use the resources of additional investment adviser subsidiaries of Aberdeen PLC. These affiliates have entered into a memorandum of understanding (“MOU”) with us pursuant to which investment professionals from each affiliate may render portfolio management, research or trading services to our clients. We may share personnel, research and other resources with our affiliated U.S. registered investment advisers (Aberdeen Asset Management Asia Ltd. (“AAMAL”) in Singapore, Aberdeen Asset Management Ltd. (“AAM Aus”) in Australia and Aberdeen Asset Managers Limited (“AAML”) in the United Kingdom) under our personnel sharing procedures.

In executing trades on behalf of our clients, we may use the resources of our Aberdeen PLC affiliates. These affiliates have entered into a global trading agreement pursuant to which professionals from each affiliate may execute trades on behalf of our clients. The use of affiliates to execute trades under the global trading agreement does not alter or change the entity making investment decisions for the client accounts.

### Limited Partnerships or Similar Private Funds

We serve as the manager to the Aberdeen Institutional Commingled Funds LLC, a Delaware limited liability company, which enables certain qualified investors to pool their investments. The fund is not registered under the 1940 Act and is governed by a Limited Liability Company Operating Agreement between AAMI as manager and each investor in the fund. State Street Bank and Trust Company is responsible for the custody and safekeeping of the assets.

We also serve as the manager to the Aberdeen Fixed Income Funds Pooled Trust, a Massachusetts fixed income trust, which enables certain qualified investors to pool their fixed income investments. This fund is not registered under the 1940 Act. It is governed by an Agreement of Trust between AAMI as investment manager and State Street Bank and Trust Company as the trustee and custodian responsible for the custody and safekeeping of the assets as well as for the execution and issuance of trust documents.

We serve as the Investment Manager to Aberdeen European Opportunities Property Fund of Funds LLC, a Delaware limited liability company. This fund is not registered under the 1940 Act. It is governed by a Limited Liability Company Agreement between AAMI as the managing member and each investor in the fund. State Street Bank and Trust Company is responsible for the custody and safekeeping of the assets.

#### Participation in Privately Offered Investment Vehicles

AAMI, its affiliates, officers and employees may participate individually in privately offered investment vehicles in which clients are solicited to invest. AAMI or its affiliates may act as adviser or general partner (or in a similar capacity) to these investment vehicles, may receive management fees, and may participate in any profits generated by these investment vehicles. Participation by affiliates, officers and employees in such investments on such terms and the receipt of such compensation may be an incentive for such employees to devote an increased amount of time to the management of such vehicles to the detriment of other client account or investment vehicles.

The above disclosures do not constitute an offer or solicitation for investment in these private funds.

#### Other Positions

Principals and employees of Aberdeen may serve as officers, advisors, directors or provide comparable management functions for public companies and/or portfolio companies in which clients directly or indirectly invest, as well as for investment institutions that may invest in Aberdeen funds. In addition, such principals and employees may provide other services to public companies and/or portfolio companies and may receive compensation in connection therewith. Principals and employees of Aberdeen may be provided access to confidential information relating to public companies and/or portfolio companies in which clients may directly or indirectly invest. As a result, clients may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the securities of such public companies and/or portfolio companies, which prohibition may have an adverse effect on clients.

#### Selection or Recommendation of Other Advisers

As a manager of fund-of-funds, Aberdeen may select other investment advisers for its clients. Certain of Aberdeen's principals, employees and/or related persons may be invited to serve on the advisory boards of the underlying Private Equity Funds in which clients invest to provide advice on certain conflicts of interest and other matters pertaining to such Private Equity Funds. There may be instances where such persons are asked to vote on issues taking the needs of all investors in such Private Equity Funds into account. Additionally, such persons may receive compensation for such services. Any such compensation will be applied to the appropriate Private Equity Fund to reduce the management fees paid to Aberdeen.

#### Business Alliances

Aberdeen PLC has entered into a business and capital alliance with Mitsubishi UFJ Trust and Banking Corporation ("MUTB"), a wholly owned subsidiary of Mitsubishi UFJ Financial Group, Inc. ("MUFG"), a Japanese banking institution listed on the Tokyo Stock Exchange. Under the terms of the business alliance, MUTB has agreed to promote certain of our products in the Japanese institutional marketplace. The agreement gives MUTB exclusive rights to distribute selected products to Japanese institutional investors. The products include emerging market equities, global equities, and global fixed income. MUTB currently own between 15 and 20% of the outstanding shares of Aberdeen PLC on an undiluted basis and under the terms of the capital alliance Mr. Kenichi Miyanaga was appointed as a non-executive director of Aberdeen PLC.

As a result of the Aberdeen's acquisition of Scottish Widows Investment Partnership in 2014, Aberdeen has entered into a long-term strategic relationship with Lloyds Banking Group plc ("Lloyds"). This strategic

relationship operates across Lloyds' Wealth, Insurance, Commercial Banking and Retail businesses and is expected to result in a stronger asset management offering for customers. Lloyds Bank holds 129,033,779 shares (9.79%) of the issued share capital of AAM PLC directly. In addition, Lloyds Bank has an existing indirect shareholding of approximately (0.722%) by virtue of AAM PLC shareholdings currently being held by various other subsidiaries within the Lloyds Banking Group plc taking the total shareholding to 10.51%.



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

### Code of Ethics and Personal Trading

From time to time, Aberdeen or our directors, officers, employees or affiliates may, directly or indirectly, have interests in securities owned by or recommended to our clients. These situations may represent a potential conflict of interest, so we have adopted a Code of Ethics (the “Code”), in accordance with Rule 204A-1 of the Adviser’s Act, to govern personal transactions by our directors, officers, and employees (“Access Persons”) in order to ensure that their interests do not conflict with the interests of our clients.

The Code mitigates potential conflicts of interest by requiring, among other things, pre-clearance of transactions in Reportable Securities placed in reportable accounts (as defined in the Code). The Code restricts the purchase and sale by Access Persons for their own accounts of Reportable Securities, which have been purchased or sold for funds within specified time limits. Except under certain limited circumstances, Access Persons may not engage in a personal transaction in a Reportable Security for which an order for a fund is pending or within seven (7) calendar days before or after execution of a client order. Provided that there are no open orders for Clients in these securities, this blackout period does not apply to: 1) the treasury securities issued by G8 countries (Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States) as well as Brazil; 2) shares of stock of a company listed on the S&P 500 Index or the FTSE 100 Index; 3) shares of an exchange traded fund based on an exchange-traded fund (ETF) that tracks the S&P 500 Index or the FTSE 100 Index; and 4) government-guaranteed bonds available only to individual investors.

Access Persons are subject to reporting obligations, including completing quarterly transaction and annual holdings reports. Access Persons are required to direct their brokers to send copies of all brokerage confirmations and statements to the Compliance Department. Alternatively, Access Persons can have the information sent by the broker via electronic feed, if available. Our procedures recognize that some Access Persons either reside in countries or maintain brokers where such statements are not regularly issued or available, and therefore these individuals are exempt from providing quarterly statements within a specific time period. In such circumstances, brokerage statements or their equivalent holdings reports must be provided as available. Employees must fully acknowledge the terms of Aberdeen’s compliance manual, which include the Code, on an annual basis. Any employee who violates the Code may be subject to verbal or written warnings and censures, monetary sanctions, disengagement, suspensions or dismissal.

Additionally, the Code includes provisions for employees relating to the confidentiality of client information, a prohibition on insider trading, a rumors policy, dollar restrictions on the value of accepted gifts and entertainment, and requires that certain outside business activities are approved in advance.

Clients or prospective clients may request a free copy of the Code by contacting Aberdeen at (215) 405-5700.

### Our Approach to Potential Conflicts of Interest

Various parts of our brochure discuss potential conflicts of interest that arise from our asset management business model. We disclose these conflicts due to the fiduciary relationship we have with our clients. Where potential conflicts of interest arise from our fiduciary activities, we take steps to mitigate, or at least disclose, them. Conflicts arising from fiduciary activities that we cannot avoid are mitigated through written policies and procedures. Potential conflicts may arise from new products or services, operational changes, new reporting lines and market developments.

### Gifts and Entertainment

We have policies and procedures in place, including the Code, which prohibit employees from accepting gifts, entertainment and other things of material value that may create a conflict of interest or give the appearance of a conflict of interest. Additionally, our employees may not offer gifts, entertainment or other things of material value that could be viewed as attempting to unduly influence the decision-making of any client or other business partner. In general, our policies dictate that giving and receiving gifts or participating in entertainment cannot occur if the value and/or the frequency of the gift or entertainment are deemed excessive or extravagant. The policies impose specific dollar restrictions and require compliance approval of

gifts and entertainment. Additional restrictions regarding gifts apply to our employees who are registered representatives of our affiliated broker-dealer.

#### Participation or Interest in Client Transactions

Potential conflicts of interest may exist if an investment adviser or one of its related persons buys or sells for client accounts, securities in which the adviser or a related person has a material financial interest. We may recommend to clients that they buy or sell shares of an investment company or other investment product in which we have some financial interest by serving as adviser or sub-adviser to a fund or other product. Some of the investment companies, including private funds, are subject to a performance-based incentive fee. Employees providing advice to these funds may also hold interests in such performance-based funds and may also provide investment advisory services with respect to similarly managed accounts that are not subject to performance fees.

We may manage private funds and sub-advised investment companies similarly in that we may buy or sell the same securities for both the private funds and sub-advised funds. These transactions must be consistent with our trade allocation procedures so that no fund is favored over any other fund. In addition, and only in accordance with our policies and procedures, employees are permitted to invest in securities (including those recommended to clients) for their own accounts.

Our officers or directors may sit on the boards, and board committees, of publicly traded clients. In addition, employees may buy or sell securities for a client where we may have a material interest in a security or issuer of a security. A material interest could include owning a security, office, directorship, significant contract, interest or relationship which is likely to affect the person's judgment. In these cases, AAMI or our employees could benefit from the success of a client's investments because of our interest in the security or issuer of the security. We maintain procedures to mitigate these potential conflicts.

#### Adviser for Multiple Accounts

We serve as investment adviser or sub-adviser to client accounts, including registered investment companies. Consistent with our fiduciary obligations, we may give advice with respect to funds or accounts we manage that may differ from action taken by our firm on behalf of other funds or accounts. We are not obligated to recommend, buy or sell—or to refrain from recommending, buying or selling—any security that any of AAMI, our affiliates or our Access Persons, may buy or sell for their own accounts or for the accounts of any other client. Any company associated with AAMI that wishes to purchase or sell securities of the types purchased for clients may do so only in a manner consistent with our fiduciary obligations. We are not obligated to refrain from investing in securities held by funds or accounts it manages, except if the investments violate the Code.

#### Insider Trading Policy and Use of Expert Networks

We have adopted an insider trading policy in accordance with Section 204A of the Advisers Act, which establishes procedures to prevent the misuse of material non-public information by AAMI, our officers, directors and employees. Any officer, director or employee who fails to observe the insider trading policy risks serious sanctions, including dismissal and personal liability.

From time to time, employees of AAMI may obtain, either voluntarily or involuntarily, material non-public information that is not available to other investors or other confidential information which, if disclosed, would likely affect an investor's decision to buy, sell or hold a security. Such information may be provided from various possible sources including upon execution of a non-disclosure agreement, as a result of serving on the board of directors of a portfolio company or serving on ad hoc or official creditors' committees. Under applicable law, employees are generally prohibited from disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether that person is an Aberdeen client.

Accordingly, should an employee receive, either voluntarily or involuntarily, material non-public information with respect to an issuer, it may be prohibited from communicating such information to, or using such information for the benefit of, clients, which could limit the ability of clients to buy, sell or hold investments and can also result in an underlying security or investment being priced inconsistently across clients. Even if AAMI or our affiliates request material non-public information, AAMI shall have no

obligation or responsibility to disclose such information to, or use such information for the benefit of, any person (including AAMI clients), even if failure to do so would be detrimental to the interests of such person. In this connection, AAMI has adopted an insider trading policy, which establishes procedures reasonably designed to prevent the misuse of material non-public information by AAMI and our personnel. Under the insider trading policy, AAMI employees are not permitted to use material non-public information obtained by any department or affiliate of AAMI in the course of its business activities or otherwise, in effecting purchases and sales in securities transactions for our clients or for their personal accounts. Consequently, we may not be able to engage in investment activity that they would otherwise take were they not in receipt of such information, even if a failure to act on such information may ultimately be detrimental to our clients. In addition, use of such information would also be prohibited by the Policies.

Aberdeen may utilize expert network services to obtain market, sector, company or other information. There may be an inherent conflict of interest in such arrangements as the experts are financially incented to provide information to justify their position within the network. Aberdeen has policies and procedures in place to deal with such conflicts as well as risk of receiving inside information.

#### Charitable Contributions

From time to time, clients or certain financial intermediaries may approach AAMI to request that we make contributions to certain charitable organizations. Because our contribution may result in the financial intermediary or our employees or representatives recommending us or our affiliated investment advisers' products to their underlying clients, the solicitation or contribution raises potential conflicts of interest. Consequently, we maintain procedures for the review of the dollar amount and frequency for these types of charitable contributions.

#### Political Contributions

None of AAMI's funds or assets may be contributed to any U.S. political candidate or political party. This ban includes contributions to U.S. political action committees ("PACs").

Financial contributions and non-financial contributions, such as participating in any type of fundraising and/or volunteering activities associated with a political campaign, e.g. time, venue (together "Contributions"), made to certain U.S. political campaigns may raise potential conflicts of interest because of the ability of certain office-holders to direct business to AAMI.

Employees are therefore prohibited from making Contributions to any person running for or holding a U.S. city, county, state or other municipality-related position. This prohibition includes Contributions to U.S. city, county, state or other municipality-related PACs. Employees are permitted to make contributions to persons holding or campaigning for a federal position as long as such person does not also hold a city, county or state position. Additionally, Contributions to federal PACs are permissible. In both cases, approval from AAMI's Compliance Department must be received before making a Contribution. Employees are prohibited from doing indirectly what they cannot do directly and, as such, cannot funnel payments through third parties, including, for example, consultants, attorneys and/or family members, as a means to circumvent the Political Contributions policy. Employees are prohibited from soliciting contributions for any person running for or holding a U.S. city, county, state or other municipality-related position.

Employees are permitted to solicit U.S. political contributions for federal elections as long as such person does not also hold a city, county or state position; however, Employees may not allow present or anticipated business relationships of AAMI to be a factor and must seek approval from AAMI's Compliance Department before soliciting such Contributions.

Any federal political Contributions made or solicited by employees should be viewed as personal. Therefore, employees should never represent themselves as employees of AAMI when participating in these activities (e.g., the use of AAMI's letterhead for correspondence regarding these contributions is prohibited).

#### Directorships and Outside Business Activities

Access Persons are permitted to serve on the boards of directors of non-profit organizations such as educational institutions, charitable foundations or other civic organizations. Access Persons are not permitted to serve on the board of directors of any publicly traded company without prior authorization. Authorization

is generally based upon a determination that the board service would be consistent with the interests of the firm and the clients under their management.

In general, all Access Persons' Outside Business Activities are tracked and reviewed by AAMI's Compliance Department to ensure they do not conflict with the duty that we owe to clients.

#### Material Non-Public Information

Our investment personnel, in the course of research or other related activities, may from time to time acquire confidential or material, non-public information that may prevent AAMI from purchasing or selling particular securities for certain clients. Consequently, certain clients could realize a positive or negative impact to overall performance. We maintain policies and procedures for handling material, non-public information.

#### Initial Account Funding

We may purchase and sell securities for accounts funded with our own assets, which also is known as "seed capital." These accounts are intended to establish a performance history for a new or potential product or service. We may earn a profit on our seed capital investments.

## Item 12 – Brokerage Practices

### Broker-Dealer Selection and Best Execution

We have established policies and procedures designed to assess and monitor the broker-dealers selected to execute client transactions. We do not adhere to a rigid formula in making the selection of a broker-dealer for portfolio transactions, but rather weigh a combination of certain factors. When selecting a broker-dealer for client transactions, we look at price, transaction costs, reasonableness of commissions, speed, efficiency, knowledge of particular securities, likelihood of execution and settlement, size and type of transaction, settlement capabilities, reputation, nature and any other consideration relevant to the best execution of that order. In selecting broker-dealers and in effecting portfolio transactions we seek to obtain best execution. Steps associated with seeking best execution are: (1) determining each client's trading requirements; (2) selecting appropriate trading methods, venues, and agents to execute the trades under the circumstances; (3) evaluating market liquidity of each security and taking appropriate steps to avoid excessive market impact; (4) maintaining client confidentiality and proprietary information inherent in the decision to trade; and (5) reviewing the results on a periodic basis. We review the above criteria on a periodic basis. We do not consider the sales of shares of investment companies it advises as a factor in the selection of broker-dealers to execute portfolio transactions for a fund.

When selecting or recommending for client transactions, a broker or service provider, we will consider, among other things, the following:

- Professional reputation;
- Ability to provide clear, impartial and expert advice;
- Understanding of and presence in the relevant market;
- Potential for or actual conflicts of interest;
- Regulation by a relevant professional body such as RICS; and
- Appropriate and adequate levels of professional indemnity insurance.

We may, at a client's direction, also direct a broker to execute a trade and "step out" a portion of the trade and/or commission to another broker that provides brokerage or research-related services to Aberdeen. The use of step out transactions may result in information about our trading activity being disclosed to other trading firms and investors who may seek to take advantage of this information.

If a client requires preauthorization of trades, such trades may not be commingled or "batched" for purposes of execution with orders for the same securities for other accounts we manage. Therefore, such trades may be executed subsequent to the trades executed for other accounts we manage and at different prices and commission rates which may be better or worse than the rates received for batched trades.

We may use Electronic Communications Networks ("ECN") or Alternative Trading Systems ("ATS") to execute when, in our judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions.

With regards to our Alternatives products, we do not arrange trades with any broker or dealer; Our hedge fund of hedge funds does not typically use brokers to transact for funds or third party clients as the investments made for such clients are generally in open-ended investment funds engaged in a continuous offering. The advice and investment activity conducted with regards to property funds generally relates to privately offered securities in partnerships or similar relevant structures that invest in real estate or real estate-related assets. We may invest in property funds which are marketed to AAMI by placement agents; either the fund or the third-party manager bears the associated placement agent fees. Occasionally, we may recommend the purchase of a secondary interest in a privately offered security being offered by a broker. In such cases, clients may be required to pay a fee to the broker offering the interest on behalf of a seller. We do not receive client referrals from broker-dealers or third parties. For Fund of Fund products, investments in open-ended investment funds are facilitated through the appropriate transfer agent.

On occasion, our hedge funds client portfolios may receive security positions as part of a distribution or liquidation of an Underlying Fund or Special Purpose Fund. While we generally execute transactions in these securities through the same broker-dealer where the Aberdeen fund's account was established, there are no limitations on which broker-dealers may be used or the commission rates or similar charges paid.

### Commission Rates

We seek to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of our clients. However, we will not select broker-dealers solely on the basis of “posted” commission rates. We will not always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although we generally seek competitive commission rates, we will not necessarily pay the lowest commission. Transactions may involve specialized services on the part of the broker-dealer involved, resulting in higher commissions.

The reasonableness of commissions is based on the broker-dealer’s ability to provide professional services, best execution and research, which will help us in providing investment management services to clients. As long as best execution is achieved, we may use a broker-dealer who provides useful research even though a lower commission may be charged by a broker-dealer who offers no research services.

Fixed income trades are placed based on best price and execution as determined by our review of solicited bids/offers. We may contact several companies in soliciting any bid/offer. Potential avenues of execution are placed in competition with one another to the extent reasonably possible whenever the portfolio managers look to buy or sell a bond. One of our measures of achieving best execution is executing a transaction with a qualified and capable counterparty that bids or offers the most favorable price under the circumstances. When buying or selling fixed income securities in dealer markets, we may prefer to deal directly with market-makers in the securities. We will typically effect these trades on a net basis, and will not pay the market-maker any commission, commission-equivalent or markup/markdown other than the “spread.” A “spread” is the difference between the price paid (or received) by our firm and the price received (or paid) by the market-maker in trades with other broker-dealers or other customers. Brokers through whom we execute trades may receive compensation from exchanges, market-makers and other intermediaries related to orders routed by the broker to those intermediaries.

In appointing a broker or service provider for client transactions, we will consider the proposed level of fee given, among other things:

- The scope of activities to be undertaken in relation to the client transaction;
- Local market rates for the activities to be undertaken in relation to the client transaction; and
- The ability to deliver the transaction in a timely fashion and in the best interest of the client.

### Research and Soft Dollar Benefits

We may obtain research products and execution services from broker-dealers that may be used to execute client transactions as well as through commission sharing arrangements. As Aberdeen places high focus on internal research, external research obtained through soft dollars or otherwise constitutes a relatively small percentage of the overall analysis conducted.

When appropriate, under discretionary authority and consistent with our duty to obtain best execution, we may execute transactions for client accounts with broker-dealers who provide us with research and brokerage products. The brokerage commissions used to acquire research in these arrangements are known as “soft dollars,” which can also include “commission sharing arrangements.” SEC regulations provide a “safe harbor” which allows an investment adviser to pay for research and brokerage services with the commission dollars generated by client account transactions. Consistent with this, and obtaining best execution, brokerage commissions on client portfolio transactions may be allocated to broker-dealers in recognition of research services furnished by them, as well as for services rendered in the execution of orders by such broker-dealers. If we utilize soft dollars to acquire research, it may be used to service the accounts of our subsidiaries in cases where the subsidiaries have agreed to share research. We have the incentive to execute transactions with, and pay commissions to, broker-dealers who provide us with brokerage and research. When client commissions are used, we receive an inherent benefit because we do not have to produce or pay for research on our own. We will determine in good faith that the value of services received is reasonable in relation to the commissions paid.

Broker-dealers typically provide a bundle of services including research and execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible

research products as well as access to analysts) or third-party (created by a third party but provided by broker-dealer). We may use soft dollars to acquire either type of research.

The receipt of research in exchange for soft dollars benefits our firm by allowing us, at no cost, to supplement our own research and analysis activities, and to receive the views and information of individuals and research staffs of other securities firms. Research and brokerage services acquired with soft dollars may include reports on the economy, industries, sectors and individual companies or issuers.

The determination and evaluation of the reasonableness of brokerage commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. We may select broker-dealers based on our assessment of their ability to provide quality executions and our belief that the research, provided by such broker-dealers may benefit client accounts. Accordingly, broker-dealers that we select may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions. This is done if we have determined, in good faith, that such amounts are reasonable in relation to the value of the brokerage and/or research provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our discretionary accounts.

Consistent with obtaining best execution, brokerage commissions on account portfolio transactions may be directed to broker-dealers in recognition of research provided by them, as well as for services rendered in the execution of orders by such broker-dealers. Research obtained with soft dollars may not be utilized for the specific account that generated the soft dollars and every research service may not be used to service every account we manage. In determining whether a service or product qualifies as research or brokerage, we evaluate whether the service or product provides us lawful and appropriate assistance in carrying out our investment decision-making responsibilities. We do not usually attempt to allocate the relative costs or benefits of research among client accounts because we believe that, in the aggregate, the research received benefits clients and assists us in fulfilling our overall duty to clients.

We generally do not enter into any agreement or understanding with any broker-dealer who would obligate us to direct a specific amount of brokerage transactions or commissions in return for research. However, certain brokers may state in advance the amount of brokerage commissions they require for specific services and the applicable cash equivalent, especially those that provide specified statistical and performance measurement services. To the extent that we choose to obtain a particular product, we may use our available soft dollar credits and pay cash to make up any difference. Further, if the product or service is a “mixed-use” item (products or services that provide both research and non-research benefits), we may use soft dollars for the research portion and pay cash for the non-research portion. Some funds or clients that we manage may have their own soft dollar policies which may differ, in some respects, from our procedures. We will use good faith judgment in making mixed-use allocation decisions.

While our policy is to seek best execution, we may select a broker for a portion of our trades which charges higher transaction costs if we determine in good faith that the cost is reasonable in relation to the value of the brokerage and research provided. Despite these potential conflicts, we believe that we are able to negotiate costs on client transactions that are competitive and consistent with our policy to seek best execution. In addition, we do not enter into agreements or understandings with any brokers regarding the placement of securities transactions because of the research they provide. However, we do have an internal procedure for allocating transactions in a manner consistent with our execution policy to brokers that we have identified as providing superior executions and research of particular benefit to clients.

We may be required to comply with the CFA Soft Dollar Standards in relation to certain client accounts. In such instances, the Global Head of Investment Execution will ensure that such standards are adhered to in accordance with such requirements. This will be monitored periodically by the Compliance Department under the supervision of the firm’s CCO.

#### Brokerage for Client Referrals

We have in place a Solicitation Agreement with Credit Suisse, pursuant to which Credit Suisse may introduce clients to AAMI for AAMI's short-duration fixed income strategy. We do not consider, in selecting or recommending broker-dealers, whether we or an affiliate have a relationship with a broker-dealer or third party, or whether we or an affiliate receive client referrals from a broker-dealer or third party. A client may direct us to use the services of a particular broker-dealer in executing transactions for that client's account. In some cases, the directed broker may have recommended our firm as a manager for that account.

We do not use brokerage relationships for client referrals in our hedge funds team. Nor do we use commissions generated by trading for client accounts to pay for third-party research services.

#### Directed Brokerage

We do not routinely recommend, request or require that any client execute transactions through any specific broker or service provider. However, we occasionally receive requests from clients to direct a portion or all of the commissions earned on their account through a specific broker-dealer in order to generate a benefit for the client under such terms and arrangements as the client may negotiate with the particular broker or dealer. Where a client has directed the use of a particular broker-dealer, we may not be in a position to freely negotiate commission rates or spreads, to obtain volume discounts, or to select broker-dealers on the basis of best execution. In situations where the client has directed us to direct trades to a select broker, the client must forfeit best execution and should understand that we will enter into such arrangements on a "best efforts" basis. If a client directs us to use a particular broker-dealer for a transaction, it will not be commingled or "batched" for purposes of execution with orders for the same securities for other accounts we manage. Client-directed transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if we were empowered to freely negotiate commission rates or spreads, or to select broker-dealers on the basis of best execution. It is AAMI's policy to accept these requests only under certain circumstances.

With regard to the Fund of Private Equity Funds in which clients invest, securities are generally purchased directly from the issuer or general partner, without the assistance of a broker-dealer and without the payment of a brokerage commission. With regard to securities distributed from the underlying funds in which Aberdeen clients invest, Aberdeen has discretion to select a broker-dealer to effect securities transactions. In selecting broker-dealers to effect securities transactions, Aberdeen seeks to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience in liquidating distributions from private equity funds and other such factors as Aberdeen deems relevant and beneficial to the applicable Aberdeen clients. Broker-dealers utilized by Aberdeen are reviewed on an annual basis.

We may have certain accounts that were referred to us through the recommendation of third parties, including consultants that may also be broker-dealers, or may have certain pre-existing financial arrangements or relationships with a particular broker-dealer. Clients obtained from these third parties may instruct us to direct some or all of their brokerage transactions to the third party's broker-dealers, or we may otherwise allocate brokerage to these or related broker-dealers. We may also buy from such third parties certain services or products used in our investment advisory business (such as software or research publications) or pay registration or other fees toward or otherwise assist in sponsoring such third parties' industry forums, seminars or conferences. We do not use client commissions to pay for these services.

#### Trade Errors and Corrections

In the event that we cause a trade error, our policy states that we ensure that the error is resolved in the best interests of the client. This means that trades are adjusted as needed in order to put the client account in such a position as if the error had never occurred. We review all trade errors to ensure they are resolved timely and accurately and that they do not indicate a recurrent pattern. In correcting trade errors, we or the party responsible for the error will bear the cost of correcting the error. Trade errors resulting in losses to client accounts will be reversed and the account compensated accordingly. Any gains resulting from trade errors discovered after settlement will be credited to the client account.

Sub-Advisers are responsible for their own execution of trades, and are therefore not covered under Aberdeen's Trade Error Policy. Sub-advisers are, however, expected to have sufficient policies and procedures with regards to trade error management that are in line with Aberdeen's policy. AAMI will, when



appropriate, review Sub-Adviser trade error policies and procedures and periodically review with the Sub-Advisers whether any trade errors were resolved in conformity with policies and procedures disclosed to the Adviser.

#### Cross-Trades

We may cross-trade between and among certain client accounts in accordance with our written cross-trading procedures. We will only consider engaging in cross-transactions to the extent permitted by applicable law and will, to the extent required by law, obtain the necessary client consents. Clients may revoke their consent for agency cross-transactions at any time.

For Fund of Fund products, we may arrange for a transaction between two or more of the Funds, in which one Fund buys an interest in an underlying fund or other investment from, or sells such investment to, another Fund managed by Aberdeen. Each of these cross transaction is affected at “fair value,” which is generally the Net Asset Value of the underlying fund. Aberdeen receives no compensation (other than its management fee and incentive fee), directly or indirectly, for effecting a particular cross transaction. Although Aberdeen will receive no compensation for cross transactions, underlying funds may assess customary transfer fees or commissions in connection with any such cross transaction. Cross transactions may inure to the benefit of the selling and buying Funds. Avoidance of redemption fees, taking on aged positions with the avoidance of soft and hard lock-ups, and the preservation of high water marks, are examples of other value added benefits that can inure to the benefit of the buying or selling Funds when applicable.

When a potential cross transaction involves a Fund or account that has a significant beneficial ownership by Aberdeen or its affiliates and control persons, it will be considered whether this transaction should be treated as a principal transaction under Aberdeen’s procedures (and separate criteria would apply), rather than as a cross transaction. Under Aberdeen’s procedures, cross transactions are not permitted from or to any Fund or other account deemed to comprise plan assets pursuant to regulations under The Employee Retirement Income Security Act of 1974, or to or from a Registered Fund, without consideration of additional regulatory restrictions or approvals that are required by applicable law.

#### Foreign Exchange (“FX”) Transactions

We may execute currency transactions on an active basis through our currency trading desk, except where market restrictions in some emerging currencies exist and execution for trade settlement is arranged by the custodian directly. In addition, certain of our asset management clients may direct their currency trades to their custodian banks for execution via standing instructions, and in such cases as well as in the case of restricted emerging currencies, we may not know the precise execution time of the FX trade and cannot influence the exchange rates applied to these trades.

#### Aggregation and Allocation

We may, to the extent appropriate, permissible and/or feasible, aggregate multiple client orders for the purchase or sale of the same security to achieve best execution. In the instance that the same security is bought or sold for a number of clients at approximately the same time, orders may also be aggregated. Due to the possibility of a price variation among executed transactions throughout the trading period, an “averaging” procedure is utilized, when possible. This procedure allocates securities to those clients participating in the order on a pro-rata basis (subject to rounding) at the average execution price of the purchases and sales attributable to a given block, unless otherwise directed by the client or deemed inappropriate for best execution. If pro-rata allocations are deemed inappropriate, we may implement either rotational or random allocations, provided the result is fair access over time to trading opportunities for all eligible accounts.

In the instance that an order is not completed on the same trading day, the partial fill will be allocated pro-rata among participating clients, unless otherwise directed or deemed inappropriate for best execution. Any unexecuted orders will continue until either the block order is complete or all component orders have been cancelled. If remaining positions are too small to satisfy the minimum order amount, we may decide to allocate the remaining shares to those accounts which did meet the minimum. We may also decide to allocate remaining shares to those accounts for which orders would be completed as a result of the allocation.

We seek to allocate opportunities to all clients in a consistent, fair manner. In accordance with our written policies and procedures, we may take special considerations when deciding on allocations, provided they are deemed fair and equitable to all clients. These special considerations may include—but are not limited to—cash flow changes; specialized investment objectives or restrictions of a particular client; specific bond trades; directed brokerage; limit orders; market restrictions; lot size; open bulk orders (market-to-market); new portfolio fundings; fungibility of certain security types; or new issuance allocations (debt or equity). Allocations may also take into consideration factors such as the particular market restrictions, size, nature, identity, or number of positions in a client’s portfolio, concentration and size of holdings, industry and sector exposure, purchase cost and cash availability, ability to obtain meaningful position sizes, liquidity, investment imbalances, prior participation in similar opportunities, limitations on the availability of an investment, special needs, trading considerations, whether the allocation would result in an account receiving an amount lower than the typical transaction size or an “odd lot,” and other factors. In addition, AAMI may exclude certain accounts from an allocation if the size of the allocation would not satisfy certain minimum size thresholds established by AAMI, a client, or by the issuer itself for operational reasons. Periodic reviews of client and account performance are conducted to ensure that trade allocations occur fairly and equitably over time, even though a specific trade may have the appearance or the effect of benefiting one account as against another when viewed in isolation.

We engage in real estate asset and investment management activities for a limited number of institutional and market counterparty clients; this creates the potential for a conflict of interest when allocating deals between clients. In order to manage any such conflict, we operate a deal introduction and allocation procedure which is intended to fulfill a number of criteria:

- Providing a practical, consistent and efficient method of deal introduction and deals allocation;
- Ensuring consistent fair and equal treatment of clients in deal introduction and deals allocation;
- Ensuring compliance generally and with any specific requirement in Asset Management or Investment Management Agreements in connection with deal introduction and deals allocation; and
- Providing a transparent and auditable control for deal introduction and deals allocation.

Representing several investors typically works to the benefit of all, as target fund terms can be negotiated more forcefully. Conflicts between different mandates could arise if there were a limited number of units available in a specific fund and where different clients have the similar investing preferences at the same time. If this scenario arises, we would run a fully transparent process where we would inform the clients about the situation. We would then offer to split the available units between the different parties, on a pro rata (to their individual applications) basis.

We may make co-investments along with clients in property funds or direct property. When undertaking investment management activities for clients, the duty owed to that client shall prevail over any owed to Aberdeen, to its managers, employees or any other person directly or indirectly linked to Aberdeen by control or to any other third party, including any other client.

Although Aberdeen does not often trade in public securities for the Fund of Private Equity Funds, in certain circumstances Aberdeen will, to the extent possible, generally place a combined order for two or more Private Equity Funds and/or separate account clients engaged in the purchase or sale of the same security if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the participating the Private Equity Funds’ Governing Documents and participating separate account clients’ investment advisory agreements, and otherwise in the best interest of the participating clients.

Inevitably, not all clients, including clients with similar investment strategies, can participate in every investment opportunity, and clients who do participate in an investment cannot always participate to the same degree. AAMI may determine that a limited supply of a particular opportunity or investment or other factors noted above may preclude the participation of some clients in a particular investment opportunity or trade. Similarly, when AAMI determines to exit a position for some clients, other clients may not always participate, may not participate at the same time, or may not participate to an equal degree.

Aberdeen does not typically aggregate orders for its hedge funds clients. For such clients we seek to allocate transactions and opportunities among the various accounts in a manner we believe to be as equitable as possible over time, considering each account's objectives, programs, limitations and capital available for investment. Any potential conflicts are brought to the attention of Aberdeen's Hedge Fund Investment Committee in order to resolve them in an equitable and fair fashion. We apply the same general principles equally to decisions on which underlying funds or managers would be suitable to be recommended for non-discretionary advisory clients as for making decisions to invest for discretionary clients. However, since Aberdeen does not have discretion over allocation decisions in non-discretionary accounts, it is likely that the actual allocations will differ as between discretionary and non-discretionary accounts. In addition, there may be situations where we provide non-discretionary advice concerning an underlying fund or manager where there is no discretionary account for which the underlying fund or manager is suitable (or where there is no cash available in the discretionary account to make an investment) or vice versa. There may also be situations where Aberdeen advises a non-discretionary client not to invest in an underlying fund or manager, but in which Aberdeen does make an investment for its discretionary accounts. Finally, there may be situations where an advisory client sources an underlying fund or manager and asks for Aberdeen's advice, and even if Aberdeen provides a favorable opinion on that underlying fund or manager, Aberdeen may not invest in or with such underlying fund or manager for a variety of reasons. The results of any of these scenarios could, and it should be expected will, reasonably result in a divergence in performance between and among the various accounts over which Aberdeen acts with discretion and for which Aberdeen provides non-discretionary advice.

In order to avoid conflicts arising from limited capacity available for investment in or with an underlying fund or manager that is identified as suitable for investment by both an advisory client and by Aberdeen for its discretionary accounts, Aberdeen will apply procedures that are designed to create a fair result under the circumstances.

## **Item 13 – Review of Accounts**

### Account Review Process

We strive to ensure compliance with a client's investment guidelines consistent with our fiduciary responsibility to manage an account in the best interest of our clients, and we aim to complete reviews on an ongoing and continuous basis. An account may be reviewed immediately to the extent that information concerning economic or market conditions, individual companies or industries could affect the account. Reviews of accounts also occur when investment strategies and objectives are changed by a client. Our relationship managers work closely with the fund management teams to ensure that each client's guidelines are implemented, where applicable. We use electronic account monitoring systems, fed by major data suppliers, as much as possible, as we believe the results are likely to be more accurate than a manual review. Periodic reviews are also undertaken by the Compliance Department. Compliance discusses any potential issues with the relevant portfolio managers. We have policies and procedures in place to address any breaches and our Execution Oversight Committee receives monthly reports on all trade errors.

### Reports to Clients

We provide each client with written monthly or quarterly market and investment reports, which include cash balance, transaction records, position reports and account valuation. Additional reports may be provided upon a client's request.

## **Item 14 – Client Referrals and Other Compensation**

Our advisory services are marketed both directly by the firm and through referrals by clients and consultants. We will make cash payments to third-party solicitors for client referrals. Each solicitor must enter into a written agreement with our firm and provide each prospective client with a copy of our Form ADV Part 2 and a disclosure of the terms of the solicitation arrangement, which includes the nature of the relationship. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act.

In no event will we compensate a third-party solicitor for a referral if that solicitor serves as a sponsor, decision-maker or fiduciary of any pension or profit-sharing plan. We may engage and compensate entities to provide prime brokerage and other services (including client account statement preparation) to client accounts.

In addition, other third parties may provide certain shareholder servicing and/or distribution support services in connection with the sale of shares of our mutual funds or other funds that we service. These third parties may do so either directly or through intermediaries (i.e., broker-dealers) and may, in some instances, refer clients into such funds. These third parties (and the intermediaries through whom the funds are available) may receive cash compensation for these services out of our own resources.

Our firm, or our affiliates, may be compensated in connection with the sale of shares of either our mutual funds or other funds that either entity services. In addition, our sales and client service employees' compensation may be linked to sales goals relating to the sale of our mutual funds.

In connection with investments made by certain funds, separate account clients, or investment advisory clients, AAMI or certain employees of AAMI may, from time to time, receive directors' fees, consulting fees, monitoring fees, investment banking fees, transaction fees and/or other remuneration. To mitigate potential conflicts of interest, AAMI may offset all or a portion of such benefits against advisory fees payable (i) by the applicable Private Equity Fund to AAMI in accordance with such Private Equity Fund's Governing Documents and (ii) to AAMI pursuant to agreements entered into with separate account or investment advisory clients. Investors are requested to refer to the Governing Documents of the applicable Private Equity Fund for complete information on the calculation of advisory fees charged to such Fund and applicable fee offsets.

## Item 15 – Custody

We do not act as a custodian for client assets. However, there are some situations where we may be deemed to have custody over client accounts.

We may be deemed to have custody of certain U.S. unregistered pooled funds advised by Aberdeen for which we or an affiliate serve as managing member or general partner. For all U.S. unregistered pooled funds, we will:

- engage a Public Company Accounting Oversight Board (“PCAOB”) accountant to conduct an audit on an annual basis;
- ensure the auditor engagement letter includes representation that the accountant is a member of PCAOB;
- ensure that audited financial statements (prepared in accordance with GAAP) are distributed within 120 days of each fund’s fiscal year-end (or within 180 days for private funds that are funds of funds); and
- undergo an annual surprise examination if it does not distribute the audited financial statements as required.

In the event that a U.S. unregistered pooled fund liquidates, we will:

- engage a PCAOB accountant to conduct a liquidation audit, and
- distribute the audited financials promptly upon completion of the audit.

If investors in the unregistered pooled funds do not receive audited financial statements in a timely manner (as described above), then they should contact Aberdeen immediately.

In addition, we may be deemed to have custody in certain situations in which clients may grant us the authority to debit their custody accounts for advisory fees and clients may also request that we forward client instructions to private placement fund custodians with regard to client subscription and withdrawal requests.

Clients typically receive statements from their account custodians at least quarterly and are encouraged to compare statements received from us with statements received from their client account custodians. Clients should carefully review their custodian statements to ensure they reflect the appropriate activity in their account. If there are differences between a client’s custodian statement and an Aberdeen account statement, or if a client has not received their account custodian statement, they are instructed to contact their client service representative.

## **Item 16 – Investment Discretion**

Depending upon the terms of an investment management agreement entered into with each client, we may have discretionary authority to make the following determinations without client consultation or consent prior to effecting each transaction:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the broker-dealer through whom securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

We exercise discretion in a manner consistent with the stated investment objectives for a particular client account. We may accept advisory accounts with limited discretion or where investments are client-directed pursuant to an investment management agreement. We may also be limited in the type or quantity of securities purchased or held due to certain regulatory or internal compliance restrictions. Client investment guidelines and restrictions must be provided to us in writing. Unless Aberdeen and a client have entered into a non-discretionary arrangement, Aberdeen generally is not required to provide notice to, consult with, or seek the consent of its clients prior to engaging in transactions. Please refer to Item 4 of this Brochure for additional information on clients' ability to tailor investment guidelines.

## Item 17 – Voting Client Securities

Clients have the option to vote their proxies themselves or to authorize AAMI to vote proxies on their behalf. We have established policies for voting these proxies in the best interests of our clients. When voting on proxies in active investment portfolios, we generally rely on our own in-house research and analysis. In the instance of a conflict, we may cross-reference our voting decision against a third-party service provider recommendation while still taking the decision ourselves, fully in clients' best interests. For funds managed by a sub-adviser, we may delegate to the sub-adviser the authority to vote proxies; however, the sub-adviser will be required to either follow our policies and procedures or to demonstrate that their policies and procedures are consistent with ours, or otherwise implemented in the best interest of clients. For other portfolios, responsibility for deciding how shares will be voted resides with the relevant portfolio management team. Any portfolio manager with knowledge of a personal conflict of interest (e.g., a family member on a company's management team) shall disclose that conflict and may be required to recuse him/herself from the proxy voting process. In the event there is a material conflict of interest identified by a portfolio manager, decisions on how to vote will be escalated to the regional desk head. The regional desk head is responsible for fully documenting the conflict of interest as well as the portfolio manager's rationale for a vote.

There may be certain circumstances where AAMI may take a limited role in voting proxies. We will not vote proxies for client accounts in which the client contract specifies that AAMI will not vote. We may abstain from voting a client proxy if the voting is uneconomic or otherwise not in clients' best interests. For companies held only in passively managed portfolios we have established voting templates which automatically applies our voting approach; we have scope to intervene to test that this delivers appropriate results, and will on occasions intrude to apply a vote more fully in clients' best interests. If voting securities are part of a securities lending program, we may be unable to vote while the securities are on loan. However, we have the ability to recall shares on loan or to restrict lending when required, in order to ensure all shares have voted. In addition, certain jurisdictions may impose share-blocking restrictions at various times which may prevent AAMI from exercising our voting authority.

We recognize that there may be a potential conflict of interest if we vote on a security in which a portfolio manager owns the holding in a personal account. Similarly, there may be a potential conflict if we vote on securities of publicly traded clients or if we vote on a security that a director of Aberdeen PLC or our mutual funds have an interest. Another conflict may exist if we have a business relationship with (or are actively soliciting business from) either a company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote. In order to avoid any perceived or actual conflict of interests, we have established procedures to ensure that our voting decisions are based on our clients' best interests and are not the product of a conflict.

Clients may obtain a free copy of AAMI's proxy voting policies and procedures and/or proxy voting records for their account by contacting us at (215) 405-5700. Aberdeen's Corporate Governance Policy and Principles, the framework we use for investment analysis, shareholder engagement and proxy voting across companies worldwide, are published on our website at <http://www.aberdeen-asset.com/doc.nsf/Lit/LegalDocumentationGroupCorporateGovernancePrinciples>.

Clients that have not granted AAMI voting authority over securities held in their accounts will receive their proxies in accordance with the arrangements they have made with their service providers.



## **Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about Aberdeen's financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients. In addition, we have not been the subject of a bankruptcy proceeding.

## APPENDIX A - Fee Schedules

The following are our standard segregated and/or commingled account fee schedules. However, fees and other compensation are negotiated in certain circumstances, and arrangements with any particular client may vary.

Strategy	Minimum Account Size	Fee Schedule
Asia Pacific Equities (Regional, Single Country and Property Share)	Segregated -\$100 million * Comingled- \$5 million	1.00%
Asia Pacific Small Cap Equity	Comingled- \$5 million**	1.25%
Emerging Market Equities	Segregated -\$100 million*** Comingled- \$10 million***	1.00%
Emerging Markets Small Cap Equity	Comingled- \$5 million***	1.25%
European Equities (Large Cap and Income)	Segregated - \$50 million	0.55% on first \$75 million 0.45% thereafter
European Equity Small Cap	Segregated - \$50 million	0.65%
Equity Long Short	\$1 million (mutual fund I class)^	2.26%
Frontier Markets	Comingled- \$1 million ***	1.50%
Global and International Equities (SRI, Sector Funds and Income)	\$100 million	0.80%
Global and International Small Cap Equities	\$50 million	1.00%
Japanese Equity	Segregated - \$50 million	0.65%

Strategy	Minimum Account Size	Fee Schedule
Japanese Small Cap Equity	Segregated - \$50 million	0. 80%
Latin American Equity, Emerging Europe, Eastern Europe, Single Country & Infrastructure	Segregated - \$100 million	1.00%
North American Equity – Large Cap	Segregated - \$25 million Comingled- \$5 million	0.55% on first \$75 million 0.45% thereafter
North American Equity – Small Cap	Segregated - \$65 million Comingled- \$5 million	0.75%
UK Equities (Mid Cap & Large Cap)	Segregated - \$40 million	0.55% on first \$75 million 0.45% thereafter
UK Equity Small Cap	Segregated - \$40 million	0.65%
Absolute Return Bond Strategy	Segregated - \$50 million	0.65%
Asian Fixed Income	Segregated - \$50 million	0. 40%
Emerging Markets Fixed Income (Core, Corporate, Local Currency & Plus)	Segregated- \$50 million (\$300k min fee) Comingled- \$5 million	0.60% Performance-related fee 0.20% +20%
Frontier Market Bond	Segregated - \$40 million (\$300k min fee)	0.75%
Global Credit	Segregated - \$50 million	0.35% on the first \$100 million 0.17% thereafter
Global Fixed Income Aggregate	Segregated - \$50 million	0.25% on first \$200 million 0.20% thereafter Performance-related fee 0.20% +20%
Global Fixed Income Government	Segregated - \$50 million	0.25% on first \$100 million 0.17% thereafter Performance-related fee 0.15%+20%

Strategy	Minimum Account Size	Fee Schedule
High Yield - Global	Segregated - \$50 million	0.50% Performance-related fee 0.35%+20%
High Yield - US	Segregated - \$50 million	0.50% Performance-related fee 0.35%+20%
North American Fixed Income (Core, Core Plus, Corporate/Credit, Intermediate and Opportunistic)	Segregated - \$25 million Comingled- \$10 million	0.35% on first \$100 million 0.20% thereafter
North American Fixed Income (Long Corporates)	Segregated - \$25 million Comingled- \$10 million	0.28% on first \$100 million 0.18% thereafter
Structured Product Opportunistic (MBS)	Segregated - \$25 million Comingled- \$10 million	0.75% 0.50% on next \$425 million 0.35% thereafter
Liability Driven Investments	Negotiable	0.25% on first \$300 million 0.20 % thereafter
Total Return Bond	Segregated - \$50 million Comingled- \$5 million	0.30% on first \$100 million 0.25% on next \$150 million 0.20% on next \$750 million 0.18% thereafter
Total Return Bond Plus (up to 30% GHI)	Segregated - \$500 million (\$50 million segregated if utilizing GHI Group Trust Fund) Comingled- \$5 million	0.35% on first \$100 million 0.30% on next \$150 million 0.25% on next \$750 million 0.23% thereafter
US Short Duration (Core Short Duration, Short Duration)	Segregated - \$25 million Commingled - \$10 million	0.20% on first \$100 million 0.125% thereafter
US Short Duration (Ultra Short Duration)	Segregated - \$25 million Commingled - \$10 million	0.20% on first \$100 million 0.09% thereafter
Cash/Liquidity	\$50 million	0.20% on first \$100 million 0.09% thereafter
Aberdeen Solutions (Alternatives, Investment Solutions, and Quantitative Strategies)	Negotiable	Negotiable
Aberdeen Solutions (Infrastructure)	Negotiable	1.25% + 10% (over hurdle)

Strategy	Minimum Account Size	Fee Schedule
Direct Property	Negotiable	Based on a percentage of the (1) total capital committed by a client for property investments or (2) capital committed to property investments or (3) capital drawn for property investments or (4) market value (net asset value) of a client's portfolio.

\* Segregated investments in Asia Pacific (including and ex-Japan) are closed to new business.

\*\* Segregated investments in Asian Smaller Companies are at the discretion of AAMI.

\*\*\* Capacity constrained. New business is at the discretion of investment team.

^Net expense ratio is effective as of Feb 28, 2014 through Feb 28, 2015.

#### Property Multi-Manager

Strategy	Minimum Account Size	Fee Schedule
Funds of Hedge Funds (“FoHF”) - Multi Strategy FoHF - Single Strategy	Segregated - \$15 million Commingled - \$300k	50bps + 7.5% performance (over hurdle rate tba) 50bps + 7.5% (over hurdle rate tba)
Fund of Private Equity (“PE”) funds	Segregated (Discretionary) - \$75 million Discretionary Pooled (Limited Partnership)- \$10million Discretionary Pooled (listed vehicles)- \$300k	60bps + 10% performance (over hurdle) 60bps + 10% performance (over hurdle) 125bps + 10% performance
Infrastructure	N/A*	Greenfield: 125bps + 10% (over hurdle)  Brownfield: 75bps + 10% (over hurdle)

\*Subject to negotiation with fund manager.

#### Property Multi-Manager Rate Card - Discretionary

Geographic sector & style	Minimum Account Size	Fee Schedule
Regional- Value Added/Opportunistic	EUR 55 million (or currency equivalent)	Performance fee of 10% above Target Return  <\$75m: 65bps \$75m - \$250m: 45bps \$250m - \$400m: 37.5bps \$400m+: 25bps
Global- Core	USD 40 million (or currency equivalent)	<\$75m: 65bps \$75m - \$250m: 40bps \$250m - \$400m: 32.5bps \$400m+: 20bps

Geographic sector & style	Minimum Account Size	Fee Schedule
Global- Return Enhancing	USD 40 million (or currency equivalent)	10% performance fee between Range of Target Return, or capped) <\$75m: 65bps \$75m - \$250m: 45bps \$250m - \$400m: 37.5bps \$400m+: 22.5bps
Global- Value Added/Opportunistic	USD 40 million (or currency equivalent)	10% above Target Return <\$75m: 65bps \$75m - \$250m: 50bps \$250m - \$400m: 40bps \$400m+: 25bps

\*\*Performance fee available, depending on risk profile of the fund

^Waterfall fee structure applies

#### Property Funds

Direct funds (International investors)	Minimum Account Size	Fee Schedule
European Balanced	€3million	€0-25m: 90 bps NAV, €25-50m: 80 bps NAV of excess amount, > €50m: 70 bps NAV of excess amount
Pan Nordic (Value Added)	A2: €1million I2: €10million	1.5% bps NAV, capped at an annual average NAV of €225m for the year 2015, and an annual average of €150m for the year 2016. Reducing fee post 2016 to 0.75% of NAV if there are any properties/capital left on the balance sheet Transaction fee: 0.50% Performance fee: 20% above 10% hurdle rate Property Management Fee: 2-4% Gross Rental Income (blended max 3.75%) Project Management Fee: 2% total project cost

Direct funds (International investors)	Minimum Account Size	Fee Schedule
Nordic I (Core)	€25million	0.55% GAV Transaction fee: 0.1% on purchases, 0.07% on sales Performance fee: 10% of outperformance (above a hurdle of distributable profit exceeding 4%); 8% of outperformance (above 1.75% hurdle rate average capital increase on holding period) Property Management Fee: 1.5-3.5% Rental income (1.5% single tenant; 3.5% multi tenants) Project Management Fee: 2% total project cost
UK Balanced	£1m	Annual management fee 0.50% pa of GAV
Pan-European Urban Retail Fund	£5m	0.675% pa of NAV, increasing to 75bps over €200m, subject to side letter rebate. Asset Management Fee: 0.825% of NAV to asset manager, reducing to 50bps over €200m, subject to side letter rebates. Performance fee: Triggered on winding up when investors have received 9% on equity (Waterfall mechanism)
Sweden	SEK10million	0.75% of GAV Performance fee: 20% above hurdle of 10% IRR, realised value at exit Property Management Fee: 3.7% of net rent Project Management Fee: 2% on cap ex cost
Denmark	DKK5million	0.50% pa of GAV Transaction fee: 0.50% of value Performance fee: 7.5% of the outperformance against the weighted IPD index Property Management Fee: 2% of net rent Project Management Fee: 10% of project cost (1.5% for coordination only)
Direct funds (Domestic investors)	Minimum Account Size	Fee Schedule

Finland	Retail: €100k Institutional: €500k	1.0% of GAV + 20% of the out-performance above the Target Return
Norway I/III	NOK 5 billion	0.75% of property values
Norway II	€10million	0.75% of Total Capital+ Performance fees:10% where return is 12 -14% & 20% where return is > 14% Property management: 3.75 % of gross incomeTransaction fee: 0.25 % of property value
Pan Europe Core Property Fund for German investors	€20 million	0.55% of GAV Performance Fee: A 20% performance share of outperformance above 5.5% fund return will be payable annually. Negative performance fees must be recouped first (high watermark). Other Fees: 0.75% of new investment and divestment; Fee for the depositary bank of 0.05% of the average GAV
German Residential Fund	Negotiable	0.50% of GAV Asset Management Fee: 1% of gross rental income Transaction Fee: 1% of sales/purchase price
Airport Industrial Property Unit Trust	£0.5million	0.35% of GAV Performance Fee: Hurdle to outperform IPD Benchmark by 105% (both Trust and Property level). Fee 20% for first 2% of outperformance, 30% in respect of further outperformance. The outperformance fee is capped at 8% above the IPD Benchmark.
SWIP Property Trust	£1,000	Varies from 135 bps for Class A to 67 bps for Class D units. Class X units are nil (internal funds)
Global ex Canada Fund of Funds	C\$ 5 million	0.5% on first C\$40m/£25m. 0.4% on next C\$40m/£25m and 0.3% thereafter
Global ex UK Fund of Funds	£1 million	0.5% on first C\$40m/£25m. 0.4% on next C\$40m/£25m and 0.3% thereafter

Note: Redemption fees and fees for Letting/Re-Letting not included here