



## **Part 2A of Form ADV: Firm *Brochure***

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31 December 2010

This brochure provides information about the qualifications and business practices of Absolute Asia Asset Management Limited. If you have any questions about the contents of this brochure, please contact us at +65-65000763 or by email at [marketing@absoluteasia.com.sg](mailto:marketing@absoluteasia.com.sg). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information Absolute Asia Asset Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Firm is registered with U.S. Securities and Exchange Commission as an investment adviser. However, the registration as an investment adviser **does not** imply a certain level of skill or training.

## **Item 2     Material Changes**

Since the last annual update, the following changes were filed:

- a. As part of a restructuring of the ownership of certain Natixis' U.S. businesses, the name of Natixis Global Asset Management Corporation has been changed to "Natixis U.S. Holding, Inc." Accordingly, the name of Natixis Global Asset Management Corporation has been deleted and replaced with "Natixis U.S. Holding, Inc." from the "Indirect Owners".
- b. Mr. Hee Chye Roland, TEO has resigned from Absolute Asia Asset Management Limited with effect on 31 August 2010 and his name has deleted from "Direct Owners and Executive Officers" accordingly.

## Table of Contents

	<u>Page</u>
Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	5
Item 6: Performance-Based Fees and Side-By Side Management .....	6
Item 7: Types of Clients .....	8
Item 8: Methods of Analysis, Investment Strategies and Risk and Loss .....	10
Item 9: Disciplinary Information .....	13
Item 10: Other Financial Industry Activities and Affiliations .....	13
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12: Brokerage Practices .....	16
Item 13: Review of Accounts .....	19
Item 14: Client Referrals and Other Compensation .....	19
Item 15: Custody .....	19
Item 16: Investment Discretion .....	20
Item 17: Voting Client Securities .....	20
Item 18: Financial Information .....	20

## **Item 4      Advisory Business**

### **Ownership and affiliations**

**Absolute Asia Asset Management Limited** (Company registration No.199801044D), was incorporated in Singapore in 1998 as a public limited company. It is fully owned by Natixis Global Asset Management Participation 1, which is part of Natixis Global Asset Management (France), an international asset management group based in Paris, France. Natixis Global Asset Management (France) is owned by Natixis Participation 1 and in turn fully owned by Natixis, a French investment banking and financial services firm. Natixis is a listed entity on the Paris Stock Exchange.

Natixis is principally owned by BPCE, France's second largest banking group. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisse d'Epargne regional savings banks and the Banque Populaire regional cooperative banks. An affiliate of the French Government is an investor in non-voting securities of BPCE and has limited, non-controlling representation on the supervisory board of BPCE as well as the right to convert certain shares into common equity of BPCE at a future time. The registered address of Natixis is 30, avenue Pierre Mendès France, 75013 Paris, France. The registered address of BPCE is 50, avenue Pierre Mendès France, 75013 Paris, France.

Absolute Asia Asset Management Limited is also affiliated to Natixis Global Asset Management, L.P. ("**NGAM**"), which is an indirect subsidiary of Natixis Global Asset Management (France).

### **License**

Absolute Asia Asset Management Limited ("**AAAM**") holds a Capital Markets Services License since 2005, issued by the Monetary Authority of Singapore to provide investment management services. Prior to 2005, it was registered as an Exempt Fund Manager. Since 2005, AAAM was also registered as an Exempt Financial Adviser to provide certain financial advisory services like marketing of collective investment scheme. AAAM was granted a Foreign Institutional Investors license issued by Securities and Exchange Board of India to transact directly in Indian Stock Exchanges in 2007 for funds/mandates that are deemed broad-based.

### **Type of business**

AAAM provides investment management services to funds/accounts which invest in Asian (ex Japan) equities on a discretionary basis and also acts as adviser to funds/accounts on a non-discretionary basis. In addition, we can advise clients on investment products, i.e., securities and futures contracts including issuing reports on these products as well as marketing collective investment schemes registered within Singapore to certain Singapore clients.

### **Asset Under Management**

As of 31 December 2010, AAAM is managing US\$1.178 billion on a discretionary basis.

## **Item 5 Fees and Compensation**

Depending on the type of investment approaches (relative return, total return or flexible return) and any performance fees included\*, and subject to approval from AAAM, the fees are negotiable. The investment size below is charged at a flat rate, however, AAAM can also provide tier rates upon request. The following detail the standard fees (with or without performance fees) on the type of investment approaches.

### **Investment Management Fees **without** Performance Fees (fees are based in US\$)**

	Less than US\$20m	US\$20m to less than US\$50m	US\$50m to less than US\$100m	US\$100m to less than US\$200m	US\$200m to less than US\$300m	US\$300m and above
Relative Return Approach	0.75%	0.70%	0.65%	0.55%	0.50%	0.40%
Total Return/ Flexible Return Approach	0.85%	0.80%	0.75%	0.65%	0.60%	0.50%

### **Investment Management Fees **with** Performance Fees (fees are based in US\$)**

	Less than US\$20m	US\$20m to less than US\$50m	US\$50m to less than US\$100m	US\$100m to less than US\$200m	US\$200m to less than US\$300m	US\$300m and above
Relative Return Approach	0.65%	0.60%	0.55%	0.45%	0.35%	0.30%
Total Return/ Flexible Return Approach	0.75%	0.70%	0.65%	0.55%	0.45%	0.35%

\* Generally, the performance fee is calculated based on 20% of outperformance of fund's or mandate's over its respective benchmark or hurdle rate or any other arrangement as agreed between AAAM and the client.

### **Billing and other fees**

Subject to agreement between AAAM and the client, generally, the investment management fee is calculated and accrued daily based on the value of the assets (including any cash or cash equivalents) for such month. The investment management fee shall be invoiced and paid monthly in arrears. Depending on the arrangement, the fee can either be deducted from the fund/mandate assets or paid by client directly to AAAM. However, as AAAM does not perform nor provide custody or fund administration services, hence, client shall designate or appoint its own custodian/fund administrator and such cost shall be bore by the fund/mandate or client. Accordingly, client shall send or cause its designated agent (custodian/fund administrator) to send AAAM a statement of the value of the assets (including cash or cash equivalents) for the relevant month to allow AAAM to calculate the management fee for such month.

In addition to the above, the fund/mandate will bear all cost incur relating to trading including brokerage and other transaction costs. Please refer to “Brokerage Practices” for more information.

#### Other Compensation

In addition, AAAM may also derive income from commissions received from other investment advisers that are owned directly or indirectly by NATIXIS Global Asset Management Group (the “Group”). AAAM may introduce potential and existing clients to products offered by the Group’s other investment advisers or investment capabilities of the investment advisers within the Group.

### **Item 6 Performance-Based Fees and Side-By-Side Management**

Please refer to the “Investment Management Fees with Performance Fees” schedule above. For funds that paid performance fees, the performance fees on the fund/mandate are usually levied on an annual basis (or such other shorter period as agreed between AAAM and the clients) if there is no redemption during the Reference Period and is paid within 30 days of the Reference Period. The Reference Period is usually fixed from the inception date of the fund/mandate to December 31 for the first year and then from January 1 to December 31 of each future calendar year or fund/mandate termination date, whichever is earlier. However, if the client redeemed during the Reference Period, the Performance Fee, if any, accrued during the Reference Period shall be crystallized and become payable to AAAM in accordance with the arrangement. The performance fee shall be paid in US\$.

Currently, the performance fee is calculated based on 20% of outperformance of fund’s or mandate’s over its respective benchmark or hurdle rate or any other arrangement as agreed between AAAM and the client or stated within the fund offering document. Currently, in addition to the management fee, some funds managed by AAAM are already levied with performance fees. Performance fees computation can be as follow:

#### A. Performance fee computed against fund’s benchmark

$$\text{Performance Fee} = 20\% \times [(\text{NAV}_N / \text{NAV}_{N-1} - 1) - (I_N / I_{N-1} - 1)] \times \text{TNA}$$

$\text{NAV}_N$  = NAV per share (before any provision) expressed in USD, as calculated on the last valuation day of the relevant year in accordance with the terms of the Agreement

$\text{NAV}_{N-1}$  = NAV per share (before any provision) expressed in USD, as calculated on the last valuation day of the preceding year in accordance with the terms of the Agreement

$I_N$  = Closing value of the Index (I) as of the last valuation day of the relevant year.

$I_{N-1}$  = closing value of the Index (I) as of the last valuation day of the preceding year.

TNA = total net value of the Assets(before any provision) expressed in USD, as calculated on the last valuation day of the relevant year, taking into account the average number of outstanding shares of the relevant year, in accordance with the terms of the agreement.

Example:

If  $NAV_N = 5.00$ ;  $NAV_{N-1} = 4.00$ ;  $I_N = 2,500$ ;  $I_{N-1} = 2,100$ ;  $TNA = \text{US\$}20,000,000$

$$\begin{aligned}\text{Performance Fee} &= 20\% \times [(5/4 - 1) - (2500/2100 - 1)] \times \text{US\$}20,000,000 \\ &= 20\% \times [(1.25 - 1) - (1.1905 - 1)] \times 20,000,000 \\ &= \text{US\$ } 238,000\end{aligned}$$

All accruals, during the Reference Period, with respect to the performance fee of such an account will be directly allocated to the respective Performance-Fee Fund's performance fee account. In case of underperformance against the applicable Index during the reference period, the respective performance fee accrual shall be reduced accordingly for such Reference Period. In the event that the Performance-Fee Fund's underperformance exceeds the amount of the accrual allocated to the Performance-Fee Fund's performance fee account, such underperformance shall be accounted for and set off by future accruals credited to the Performance-Fee Fund's performance fee account. However, in case of underperformance against the applicable Index at the end of the Reference Period, such underperformance will not be carried forward to the next reference period.

However, if there are subsequent redemptions of some or all Performance-Fee Fund shares, such redemptions shall not reduce the Performance Fee accrued to that point, but rather such Performance Fee accrued on the redeemed shares shall be crystallized and paid within the stipulated period in accordance with the arrangement or offering document. Please note that crystallized Performance Fee from redeemed shares will not be offset by any underperformance of the Fund against the Index prior to payment.

B. Performance fee computed with hurdle rates (Equalization Methodology)

For each Reference Period, the Performance Fee will be equal to 20 per cent of the appreciation in the Net Asset Value per Participating Share of each class during that Reference Period above the Peak Net Asset Value per Participating Share. These classes adopt an equalization adjustments methodology.

The performance fee is calculated on a share-by-share basis so that each Participating Share of each class is charged a performance fee which equates precisely with that Participating Share's performance. This method of calculation ensures that (i) any Performance Fee paid to the Manager is charged only to those Participating Shares which have appreciated in value above the High Water Mark and Hurdle Rate, (ii) all holders of Participating Shares within each Class have the same amount of capital per Participating Share at risk in the Fund, and (iii) all Participating Shares of each sub-class of a Class have the same Net Asset Value per Participating Share of such sub-class.

Peak Net Asset Value per Participating Share is the greater of (i) the Net Asset Value per participating share of the relevant Class (after deduction of Performance Fee, if any) at the end of the immediately preceding Reference Period, and (ii) the Peak Net Asset Value per Participating Share of the relevant Class immediately preceding Reference Period adjusted with the Hurdle Rate applicable for the immediately preceding Reference Period.

C. Performance fee computed against fund's benchmark with hurdle rates

For each Performance Period, the Performance Fee will be equal to 20 per cent of the appreciation in the Net Asset Value per Class during that Performance Period over the Benchmark NAV for that Class of shares.

The performance fee is calculated based on the increase in Net Asset Value per Class basis over the Benchmark NAV adjusted with the Hurdle Rate, multiplied by the number of Participating Shares in that Class. Number of Participating Shares in that Class is based as at the last Valuation Point of the relevant period.

Benchmark NAV refers to the greater of (i) the Net Asset Value per participating share of that Class (after deduction of Performance Fee, if any) at the end of the immediately preceding Performance Period, or (ii) the Benchmark NAV per Participating Share of the relevant Class immediately preceding Performance Period adjusted with the Hurdle Rate applicable for the immediately preceding Performance Period.

#### Conflict of interest

AAAM recognized the receipt of performance fees by AAAM creates a potential conflict of interest because AAAM could benefit from disproportionately allocating investment opportunities to those Funds with performance fees. To that end, AAAM has adopted procedures designed to ensure that investment opportunities are allocated fairly among all accounts. In addition, for the funds managed or established by AAAM, AAAM may from time to time and at its sole discretion and out of its own resources decide to rebate to some or all Shareholders or their agents or to intermediaries, part or all of the Management Fee and/or Performance Fee.

For more information, please send an email request to [marketing@absoluteasia.com.sg](mailto:marketing@absoluteasia.com.sg).

#### **Item 7    Types of Clients**

These services are provided to the following types of accounts:

- (i) as a delegated investment manager of certain sub-funds of NATIXIS International Funds (Lux) I, a Luxembourg UCITS umbrella SICAV specializing in Asian (ex Japan) equities (“SICAV Fund”);
- (ii) as a delegated investment manager as well as sub-investment adviser for assets invested in Asia (ex Japan) of French Fonds Commun de Placement (“FCP Fund”);
- (iii) as an investment manager of Cayman Company registered as a regulated mutual fund under the terms of the Mutual Funds Law of the Cayman Islands (“ABS Fund”);
- (iv) as a sub-manager of an Investment Trust in Korea (“Korean Fund”);
- (v) as an investment manager of Singapore Restricted Authorized umbrella fund (“Singapore Fund”);
- (vi) As a sub-adviser to a fund of a business trust registered under the Investment Company Act, as amended (“1940 Act”) as an open-end management investment company (“US Fund”).

AAAM currently provides investment advice to SICAV funds, FCP funds, ABS Fund, Korean Fund, Singapore Fund and US Fund. AAAM can also provide investment advisory services to any other investment vehicles including pension plan.



A SICAV is an investment company with variable share capital. A mutual fund that has a SICAV structure has its own set of articles of incorporation and its own Board of Directors. Each share in the SICAV entitles the shareholder to a voting right at any shareholders meeting of the SICAV.

Fonds Commun de Placement, an FCP, is not an independent legal entity. It must be managed as a segregated pool of assets within a management company. The unit holders have no vote and therefore cannot take control of the company. The decisions lie with the board and the shareholders of the management company.

The ABS funds are Exempted Companies incorporated with limited liability under the laws of Cayman Company. The Funds are organized as a master-feeder structure with the A Fund (as the “master fund”) and the A1 Fund (as the “feeder fund”). Investors may subscribe into the different classes of the A1 Fund subject to that Class A Participating Shares are only available for subscription to certain strategic investors (or such other persons) as the Manager may in its absolute discretion determine and all other investors are to subscribe to Class B Participating Shares. The Companies are governed by their Articles of Association. Each share in the Company entitles the participating shareholders limited voting rights. The participating shareholders are entitled to vote only upon any of the following resolutions to:

- (i) Approve the appointment or removal of a Director of the Fund;
- (ii) Terminate the Management Agreement;
- (iii) Vary the rights attaching to any Class of Participating Shares; and
- (iv) Deal with the capitalization of any amount for the purpose of any bonus issues other than to holders of Participating Shares or the creation of any undistributed reserves.

Korean Fund is an Investment Trust. The Fund is organized and domiciled in Korea and is governed by the Trust Deed and the Investment Prospectus. The investors are unit holders and each unit entitles the unit holder to vote in the AGM or EGM.

Singapore Fund is registered as a restricted scheme with Monetary Authority of Singapore. Accordingly, the Sub-Funds under this umbrella are only available to Sophisticated or Accredited Investors or Relevant Persons in accordance with Section 304 and Section 305 of the Securities and Futures Act. The investors are unit holders and are eligible to vote on an Extraordinary Resolution at any meeting by show of hands unless decided otherwise in accordance with the Trust Deed.

US Fund is mutual fund. A mutual fund is an investment company that brings together money from many people and invests it in stocks, bonds or other assets. The combined holdings of stocks, bonds or other assets the fund owns are known as its *portfolio*. Each investor in the fund owns shares, which represent a part of these holdings. AAAM sub-advised an open-end investment company.

#### Size of initial investment

Depending on the type of investment approaches (relative return, total return or flexible return), investment vehicle employed and approval from AAAM’s management, investment size may vary. Generally, the minimum investment amount for AAAM to commence managing a mandate is about US\$15 million.

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

### **Absolute Asia AM Investment Philosophy**

#### **A. Overview: philosophy, style, investment objective**

##### **Investment Philosophy**

AAAM's investment philosophy can be summarized into 5 points:

- Long term share prices are driven by company fundamentals.
- A market oriented style, not constrained by a particular style bias, provides flexibility to seek outstanding opportunities throughout the relevant markets.
- In depth country knowledge and “top-down” country allocation produce higher returns in Asia.
- Fully invested portfolios in equities help to generate substantial long term benefits.
- Trend identification can be of considerable importance in investing in Asian markets and is therefore integral to our investment approaches. Identifying key trends leads to investable themes and specific sectors which benefit from those themes.

##### **Investment Approaches**

#### **1. Relative Return Investment Approach**

The investment objective of relative return approach is to produce a long term growth of capital and to outperform its respective benchmark. The investment approach combined both country allocation and stock selection strategies to achieve this target. Subject to regulatory or client's specific requirement, generally, the portfolio is fully invested in the equity markets to help generate substantial long run benefits. Trend identification leads to good investment opportunities from identifying themes, sectors and stocks. Our market oriented style, not constrained by style bias provides the flexibility to seek outstanding opportunities. This approach is relatively concentrated to maximize potential from all investment ideas. In addition, subject to arrangement with client, relative return investment approach normally adopts an ex-ante tracking error limit as risk budget.

#### **2. Total Return / Flexible Return Investment Approach**

The objective of the total return and absolute return approaches are to produce a long term growth of capital by investing in companies that we believed would provide a positive total return over the long term. The approaches are based purely on stock selection strategy to achieve this target. The main difference between the two approaches, cash is considered as an asset class under absolute return approach whereas total return approach, subject to regulatory or client's specific requirement, generally, the portfolio is fully invested in the equity markets to help to generate substantial long run benefits. Trend identification leads to good investment opportunities from identifying themes, sectors and stocks. Our market oriented style,

not constrained by style bias provides the flexibility to seek outstanding opportunities. This approach is relatively concentrated to maximize potential from all investment ideas. The approaches do not have any risk budget.

## B. Risk

### General Risks

Investors should consider and satisfy themselves as to the risks of investing in securities or funds. Generally, some of the risk factors that should be considered by investors are market risks, interest rate risks, foreign exchange risks, political risks, repatriation risks, liquidity risks and derivatives risks.

An investment in securities or funds is meant to produce returns over the long-term. Investors should not expect to obtain short-term gains from such investment.

Investors should be aware that the value of Units/Shares in Funds and the income accruing from the Units/Shares may fall or rise and investors may not get back their original investment.

### Specific Risks

#### 1 *Counterparty Risk*

The funds/mandates will take a credit risk on parties with whom it trades and will also bear the risk of settlement defaults. The funds/mandates will seek so far as practicable to ensure that all securities and other assets deposited with such brokers are clearly identified as being assets of the fund/mandate and hence mitigate the credit risk. However, it will not always be possible to achieve this and there may be practical or time problems associated with enforcing the funds'/mandates' rights to its assets in the case of an insolvency of any such party.

#### 2 *Market Risk*

Investors should consider and satisfy themselves as to the usual risks of investing and participating in publicly traded securities. Prices of securities may go up or down in response to changes in economic conditions, interest rates and the market's perception of securities which in turn may cause the price of Units/Shares to rise or fall.

#### 3 *Currency/Foreign Exchange Risk*

Investments by the funds/mandates may be made in a variety of currencies, whereas the net asset value of the funds/mandates at any time will be computed in US\$ or such other fund/mandate currencies. Accordingly, the value of the funds/mandates may be affected favourably or unfavourably by currency exchange rates and exchange control regulations, although the Managers may seek to minimize exposure to currency fluctuation to the extent practicable.

The Managers may from time to time employ currency hedging techniques to manage the impact of the exchange rate fluctuations on the funds/mandates and/or for the purpose of efficient portfolio management.

#### 4 *Political Risk*

The investments in the Sub-Funds may be adversely affected by political instability as well as exchange controls, changes in taxation, foreign investment policies, restrictions on repatriation of investments and other restrictions and controls which may be imposed by the relevant authorities in countries in which the Sub-Funds are invested.

#### 5 *Market and Liquidity Risk*

Trading volumes in stock markets of certain countries included in the investment universe of the Sub-Funds can be significantly lower than on the world's leading stock markets and settlement and custody practices in such markets may not be comparable to those of the world's leading stock markets, which may result in fluctuations in the price of Units in the Sub-Funds. Also, liquidity may be less than the world's leading stock markets, resulting in the possibility of delays in the acquisition and disposal of some investments or settlement of such transactions at unfavourable prices.

#### 6 *Economic and Interest Rates Risk*

Prices of securities may go up or come down in response to changes in economic conditions, interest rates and the market's perception of securities which in turn may cause the price of Units in the Sub-Funds to rise or fall.

#### 7 *Performance Fee*

As the Performance Fee accrues daily whenever the Net Asset Value per Unit exceeds the Benchmark Value, an investor may bear such fees when he redeems his Units or at the end of the Accounting Period even if his redemption price or the price at the end of the Accounting Period (as the case may be) is lower than his subscription price.

#### 8 *Derivatives Risk*

Although AAAM currently does not invest in derivatives, however, AAAM is not prohibited from investing in derivative. Derivative are financial contracts whose value depend on, or is derived from, the value of an underlying asset, reference rate or index for hedging purposes or for the purpose of efficient portfolio management. Such assets, rates and indices may include bonds, shares, interest rates, currency exchange rates, bond indices and stock indices.

While the judicious use of derivatives by professional investment managers can be beneficial, derivatives involve risks different from, and, in some cases, greater than, the risks presented by more traditional securities investments. Some of the risks associated with derivatives are market risk, management risk, credit risk, liquidity risk and leverage risk, to name a few.

As the viability of exercising derivative instruments depends on the market price of the investments to which they relate, it may be the case that the Managers may from time to time consider it not viable to exercise certain derivatives held by the Fund within the prescribed period, in which case any costs incurred in obtaining the derivatives will not be recoverable. There is also the risk that the market price of the relevant investment may move adversely at any time during the exercise period or at the time at which the warrants or options are exercised and this may result in an immediate loss to the Fund.

***Note: The above risks should not be considered to be an exhaustive list of the risks which investors should consider. Investors should be aware that an investment may be exposed to other risks of an exceptional nature from time to time. Accordingly, investors should be prepared to bear the risks of loss. For client participating in a pool vehicle, please also refer to the respective fund prospectus, offering memoranda, or any other documents for a more detailed discussion of risks.***

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

- A. Neither Absolute Asia Asset Management Limited, nor any of our employees, has had any civil or criminal actions brought against them.
- B. Neither Absolute Asia Asset Management Limited, nor any of our employees, has had any administrative proceedings before the MAS, SEC, or any foreign regulatory authority.
- C. Neither Absolute Asia Asset Management Limited, nor any of our employees, has had any proceedings before a self-regulatory organization.

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

- A. No AAAM employees are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. No AAAM employees are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading adviser.
- C. AAAM is an affiliate of NGAM, which owns a number of other asset management and distribution and service entities [(each, together with any advisory affiliates of AAAM, a “related person”)]. As noted under Item 4, NGAM is an indirect subsidiary of Natixis Global Asset Management (France) and in turn is owned by Natixis Participation 1 and in turn is fully owned by Natixis, which is principally owned by BPCE, France’s second largest banking group. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisse d’Epargne regional savings banks and the Banque Populaire regional cooperative banks. There are several intermediate holding companies and general partnership entities in the ownership chain between BPCE and the Adviser. In addition, NGAM’s parent companies Natixis and BPCE each own, directly or indirectly, other investment

advisers and securities and financial services firms which also engage in securities transactions.

AAAM does not presently enter into transactions, other than as set out below, with related persons on behalf of clients. Because AAAM is affiliated with a number of asset management, distribution and service entities, AAAM occasionally may engage in business activities with some of these entities, subject to AAAM's policies and procedures governing conflicts of interest. For example, AAAM may enter into relationships with related persons, which include advisory or sub-advisory arrangements (on a discretionary or non-discretionary basis), cross-marketing arrangements for the sale of separate accounts and privately placed pooled vehicles, research sharing relationships and personnel sharing relationships. Moreover, AAAM may use related persons to provide certain services to clients to the extent this is permitted under applicable law and under AAAM's applicable policies and procedures. Given that related persons are equipped to provide a number of services and investment products to AAAM's clients, subject to applicable law, AAAM's clients may engage a related person of AAAM to provide any number of such services, including advisory, custodial or banking services, or may invest in the investment products provided or sponsored by a related person of AAAM. The relationships described herein could give rise to potential conflicts of interest or otherwise may have an adverse effect on AAAM's clients. For example, when acting in a commercial capacity, related persons of AAAM may take commercial steps in their own interests, which may be adverse to those of AAAM's clients.

Given the interrelationships among AAAM and its related persons and the changing nature of AAAM's related persons' businesses and affiliations, there may be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion. Additional information regarding potential conflicts of interest arising from AAAM's relationships and activities with its related persons is provided under Item 11.

- D. AAAM also derives income from commissions received from other investment advisers that are owned directly or indirectly by NATIXIS Global Asset Management Group (the "Group") through introducing potential and existing clients to products offered by or investment capabilities of the Group's other investment advisers as well as servicing affiliates' clients within the Asia ex Japan.

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

- A. Absolute Asia AM has adopted a Code of Ethics in compliance with SEC Rule 204A-1 of the Investment Advisers Act of 1940, as amended, which establishes standards of conduct for Absolute Asia AM's supervised persons. The Code of Ethics includes general requirements that Absolute Asia AM's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, use of material, non-public information, outside employment, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to Absolute Asia AM's Chief Compliance Officer,

and requires the Chief Compliance Officer to review those reports. It requires supervised persons to (a) receive advance approval prior to dealing, (b) provide copies of the contract note from the broker to the Chief Compliance Officer, (c) annually certify that the list of holdings and securities accounts that they provide to the Chief Compliance Officer is accurate and that he/she has complied with the Code of Ethics during that year, and (d) report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Each supervised person of Absolute Asia AM annually receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Clients and prospective clients may obtain a copy of Absolute Asia AM's Code of Ethics by contacting Yeong Fai Keow at [yeongfai.keow@absoluteasia.com.sg](mailto:yeongfai.keow@absoluteasia.com.sg).

- B. In connection with providing investment management and advisory services to its clients, AAAM acts independently of other affiliated investment advisers and manages the assets of each of its clients in accordance with the investment mandate selected by such clients.

Related persons of AAAM are engaged in securities transactions. AAAM or its related persons may invest in the same securities that AAAM recommends for, purchases for or sells to AAAM's clients. AAAM and its related persons (to the extent they have independent relationships with the client) may give advice to and take action with their own accounts or with other client accounts that may compete or conflict with the advice AAAM may give to, or an investment action AAAM may take on behalf of, the client or may involve different timing than with respect to the client. Since the trading activities of NGAM firms are not coordinated, each firm may trade the same security at about the same time, on the same or opposite side of the market, thereby possibly affecting the price, amount or other terms of the trade execution, adversely affecting some or all clients. Similarly, one or more clients of AAAM's related persons may dilute or otherwise disadvantage the price or investment strategies of another client through their own transactions in investments. AAAM's management on behalf of its clients may benefit AAAM or its related persons. For example, clients may, to the extent permitted by applicable law, invest directly or indirectly in the securities of companies in which AAAM or a related person, for itself or its clients, has an economic interest, and clients, or AAAM or a related person on behalf its client, may engage in investment transactions which could result in other clients being relieved of obligations, or which may cause other clients to divest certain investments. The results of the investment activities of a client of AAAM may differ significantly from the results achieved by AAAM for other current or future clients. Because certain of AAAM's clients may be related persons, AAAM may have incentives to resolve conflicts of interest in favor of certain clients over others (*e.g.*, where AAAM has an incentive to favor one account over another); however, AAAM has established conflicts of interest policies and procedures that identify and manage such potential conflicts of interest.

AAAM or a related person may also cause a client to purchase from, or sell assets to, an entity in which other clients may have an interest, potentially in a manner that will adversely affect such other clients. In other cases, AAAM on behalf of its clients may receive material non-public information ("MNPI") on behalf of some of its clients, which may prevent AAAM from buying or selling securities on behalf of other of its clients even when it would be beneficial to do so. Conversely, AAAM may refrain

from receiving MNPI on behalf of clients, even when such receipt would benefit those clients, to prevent AAAM from being restricted from trading on behalf of its other clients. In all of these situations, AAAM or its related persons, on behalf of itself or its clients, may take actions that are adverse to some or all of AAAM's clients. AAAM will seek to resolve conflicts of interest described herein on a case-by-case basis, taking into consideration the interests of the relevant clients, the circumstances that gave rise to the conflict and applicable laws. There can be no assurance that conflicts of interest will be resolved in favor of a particular client's interests. Moreover, AAAM typically will not have the ability to influence the actions of its related persons.

In addition, certain related persons of AAAM may engage in banking or other financial services, and in the course of conducting such business, such persons may take actions that adversely affect AAAM's clients. For example, a related person engaged in lending may foreclose on an issuer or security in which AAAM's clients have an interest. As noted above, AAAM typically will not have the ability to influence the actions of its related persons.

Except if such participation is in accordance with NGAM policy, applicable law, and transaction is at arms-length, AAAM may from time to time purchases securities in public offerings or secondary offerings on behalf of client accounts in which a related person may be a member in the underwriting syndicate. However, AAAM currently does not presently enter into transactions with related persons on behalf of clients and AAAM does not purchase directly from such related person.

## **Item 12 Brokerage Practices**

A. Client orders will be executed at the best available terms, taking into account the relevant market at the time for transactions of the kind and size concerned. It is to be noted that to achieve best execution does not mean paying the lowest possible commission fee, but rather, a trade is executed based on principles of best execution taking into consideration the client's investment objective and constraints as well as other aspects of execution including, but not limited to, the value of research provided by the broker as well as the broker's execution capability, commission rate, financial responsibility, and responsiveness to AAAM.

AAAM has complete discretion over the selection of the broker to be used and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, AAAM may consider a number of factors, including, for example, execution capabilities, research capabilities, capital strength of the firm, market-making/underwriting capabilities, general reputation of the firm, and services provided by the broker. AAAM maintains a list of authorized brokers that it deals with that is approved by the Brokers Review Committee. In approving brokers, the Brokers Review Committee considers such factors as capital strength of the firm; financial ratios; research capabilities; perceived execution, market-making and underwriting capabilities; general reputation of the firm and the individual representative; registration requirements; and any other services provided. Where a broker or its parent company has been rated "investment grade" by a recognized credit rating agency (i.e., Standard & Poor's, Moody's, Fitch IBCA, or any other rating agencies approved by the Brokers Review Committee), no further analysis is required. The



Brokers Review Committee reviews the list of approved brokers twice a year based on the rating from the investment team members and an analysis of the information received from the brokers.

1. Soft Dollar Arrangements. Currently, commission levied by all brokers in Asia is standard in each market and independent from the soft dollar arrangements. Consequently, the clients' accounts do not pay any additional soft dollar commission in excess of the commission that is already levied by brokers in each market. Nevertheless, where there is in place a soft dollar arrangement with the broker, the broker shall set aside a certain percentage from the commission paid for each transaction as soft dollar credit for payment of permitted services. Generally, soft dollar arrangements are only available if soft dollar relationships with the brokers have been established and the broker has created an account to input soft credit for the purpose of paying permitted services incurred. Soft dollar credit may only be used to pay for services if:

- The services can reasonably be expected to assist in the provision of the investment services to accounts generally;
- Disclosure is made of AAAM's practices for receiving soft commission (e.g., disclosure in the relevant prospectus, investment management agreement, etc.); and
- A record of soft dollar arrangements and activities is maintained

The amount of soft dollars credit received by AAAM generally should not exceed one-third of the total commission paid in any one year.

The brokerage and research services under a soft dollar arrangement accepted by AAAM pursuant to such an arrangement may include any of following:

- Specific advice as to the advisability of dealing in, or of the value of any investments;
- Research and advisory services, e.g., RiskMetrics Group (Institutional SS);
- Economic and political analyses, e.g., Factiva Ltd, Reuters Singapore Pte Ltd/Thomson Financial;
- Portfolio analyses, including valuation and performance e.g., Mellon Analytical System;
- Market analyses;
- Data and quotation services e.g., Bloomberg Finance LP, MSCI Inc;
- Software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis e.g., Barra Inc.; and
- Custodial services in relation to the investments managed by clients.

With respect to certain products used for both research and non-research purposes, AAAM allocates the cost of such products between their research and non-research uses (i.e., mixed-use), and uses soft dollars to pay only for the portion allocated to research uses. Brokerage and research services received under soft dollar arrangements will not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payment.

The brokerage and research services described above may be available for use by AAAM in connection with transactions in which the accounts participate. AAAM believes that while each account benefits from many of the services obtained with soft dollar commission credits

generated by that account's trade that account may not benefit exclusively from the use of soft dollars. AAAM may also benefit from some or all of these services, particularly to the extent that AAAM uses soft dollar commissions to pay for expenses AAAM would otherwise have to pay itself.

AAAM's relationship with brokers that provide soft dollar services may influence AAAM's judgment in allocating brokerage business and may create conflicts of interest. Conflicts of interest may exist both in allocating brokerage business between brokers that provide soft dollar services and brokers that do not, and in allocating the costs of mixed-use products between their research and non-research uses as well as an incentive to select or recommend a broker-dealer providing soft dollar credit rather than obtaining most favorable execution for clients. These conflicts of interest exist because, as stated above, AAAM is using soft dollars to pay for expenses it would otherwise be required to pay for itself.

AAAM relies on the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a safe harbor to investment managers who use commission dollars to obtain investment research and brokerage services that provide assistance in performing investment decision-making responsibilities.

2. Brokerage for Client Referrals. AAAM does not consider referrals when we select or recommend broker-dealers to clients.
3. Directed Brokerage. AAAM does not practice nor conduct direct brokerage for client.

B. AAAM may aggregate securities purchase or sales orders for accounts. Generally, all orders given to a broker are executed in their entirety. However, there will be times when an order may not be completely executed. An order that is not fully executed will usually be allocated on a strict pro-rata basis. Shares that remain after the pro-rata allocation will be rounded up or down to the nearest board lot size (a standardized number of shares defined by a stock exchange as a trading unit). Sometimes the aggregation of all shares after the rounding of pro-rata shares to the nearest board lot size may result in a number different than the executed quantity. The difference between the aggregated quantity and the executed quantity may be added to or deducted from the client with the largest intended quantity.

If two or more dealing tickets are created for the same security during the same trading day but not proximate in time, the shares executed for these orders will not be aggregated. The broker shall report the execution according to the respective order given. Accordingly, where one or more of the orders are uncompleted, the executed shares will be allocated according to the respective dealing tickets.

There may be instances in which applying the above-described allocation rules may not be in the best interest of all clients. For instance, one or more clients may incur higher transaction costs than if orders were not aggregated or an incomplete order fill may leave some clients without an allocation. In these cases, exceptions to the allocation procedures may be applied after consultation with the Chief Compliance Officer.

From time to time, AAAM invests on behalf of clients in initial public offerings ("IPOs"). Accounts will participate based on their risk profiles, strategies and guidelines that make these securities suitable investments for these particular accounts. Due to the higher risk associated with most IPOs, those accounts with mandates and strategies that allow for greater

risk will be the accounts that participate. The purchase of IPOs may be aggregated and will be allocated using the trade allocation process described above.

### **Item 13    Review of Accounts**

AAAM periodically reviews accounts or funds for compliance, performance as well as providing market outlook. The Chief Compliance Officer or his designate monitors the accounts and funds to ensure that these accounts/funds comply with its respective investment guidelines or restrictions. The Chief Investment Officer together with his investment team members reviews and analysis the accounts/funds' performance against the benchmark, composition of the accounts/funds' assets and the increase or decrease in value of the accounts/funds' assets of the end of the relevant period.

The reporting schedule for certain report. Please note that the reports are not exhaustive and client may request, subject to the AAAM's management approval, for specific reports cater to client's needs as well as the frequency of reports may vary.

Subject of reporting	Contents	Frequency
Performance Review	Review and analysis of the increase or decrease in value of the Assets during this period, composition of the Assets as of the end of the relevant period and comparison of the performance of the account/fund with the identified reference index or benchmark.	Monthly, Annually
Marketing literature	Market outlook for the funds	Monthly

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

From time to time related persons enter into arrangements with affiliated parties (including NATIXIS Asset Management Participations 1 or its related entities) or unaffiliated third parties for their assistance in referring business to AAAM or providing client service to that AAAM's clients. These related persons may pay cash compensation to these affiliated or unaffiliated parties, where such cash compensation may be equal to a specified percentage of the advisory fees received by the related persons from accounts obtained through the third party. Any such arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

### **Item 15    Custody**

AAAM does not provide custody services.

## **Item 16 Investment Discretion**

Our firm accepts and conducts both discretionary and non-discretionary funds/mandates on behalf of clients. Prior to managing client's account, client is required to sign a Discretionary Investment Management Agreement or a Non-Discretionary Investment Management Agreement with AAAM, as the case maybe. The Agreement covers areas like operations, investments, compliance requirements and restrictions as well as any other arrangements that the clients and AAAM may agree upon.

## **Item 17 Voting Client Securities**

### **Proxy Voting Policy**

- A. AAAM has the fiduciary responsibility for voting proxies, when authorized to do so by clients, in a manner that is in the best interest of each account over which AAAM has proxy voting authority. Generally, the account that holds the company shares is entitled to vote. Except for a client who has issued specific voting instructions, where the fund has been delegated to AAAM for management on a full discretionary basis, AAAM shall vote on behalf of these clients on issues deemed to be critical or important to the accounts managed by AAAM. Where AAAM provides only advisory recommendations to the client, AAAM would limit its recommendations to issues which AAAM deems to be important to the client. However, as it was a regulatory requirement to vote for all agenda items for securities held in the US 40 Act Fund, AAAM has engaged RiskMetrics Group, a third party proxy service provider, to assist in voting by providing recommendation to the manager. Nevertheless, AAAM retains the proxy voting responsibility.

A client may obtain a copy of AAAM's proxy voting policy and a record of votes cast by AAAM on behalf of that client by contacting Yeong Fai Keow at [yeongfai.keow@absoluteasia.com.sg](mailto:yeongfai.keow@absoluteasia.com.sg).

- B. Unless an arrangement has been made between you and your custodian or transfer agent, if you do not grant us proxy voting authority, you will not receive proxies or other solicitations from your custodian or a transfer agent or from us. In addition, except if prior arrangement has been made with AAAM, please be informed that AAAM does not discuss about proxies or solicitation if you are voting your own proxies.

## **Item 18 Financial Information**

- A. Our firm does not require or solicit prepayment from client.
- B. Our firm does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.
- C. Our firm has not been subject of a bankruptcy petition at any time during the past ten years.