

FORM ADV PART 2

# THE FIRM BROCHURE OF

## GML Capital LLP

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### Important Information:

This brochure provides information about the qualifications and business practices of GML Capital LLP (the “**Firm**” or “**GML**”) and was approved for distribution by the partners of the Firm on June 28, 2018 (the “**Publication Date**”). If you have any questions about the contents of this brochure, or any other matter, please contact us by telephone at +44 (20) 7580 8588 or by sending an e-mail to [info@gmlcapital.net](mailto:info@gmlcapital.net).

The Firm 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 Investment Adviser in their firm brochure only provide you with information about which you can use to determine to hire or retain an Investment Adviser.

The information in this brochure, prepared by the Firm for distribution to its clients and potential clients, has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”), by any state securities authority or any other regulatory body.

Additional information about the Firm (and any persons affiliated with the Firm who are registered, or are required to be registered, as investment adviser representatives of the Firm) is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site for information about the Firm by a unique identifying number, known as a CRD number. The CRD number for GML is 146411.

GML uses all reasonable skill and care in compiling the information contained on this brochure and ensures it is accurate on the date that such information is supplied. The relevant date for any particular information is the date printed on the cover page.

This version of the Firm's brochure will remain valid until the earlier of the one year anniversary of the Publication Date or notification to you of a revision. This version of the Firm's brochure cancels and replaces all previous versions of the Firm's brochure. Notwithstanding the foregoing, the Firm may make minor updates to the Firm's brochure on an ongoing basis. Before seeking to place reliance on information contained in this brochure, potential clients are therefore encouraged to make further enquiries of the Firm prior to entering into a contractual relationship with the Firm (a "**Client Mandate**").

As the information contained in this brochure provides general information on the Firm and the services it provides, it is not intended as an offer or solicitation for the purchase or sale of any financial instrument. It is intended for, and is only relevant to, those recipients who are U.S. Persons as defined in the Securities Act of 1933 and should not be relied upon by persons of any other jurisdiction. Nothing in this brochure should be construed as being personal financial advice or an inducement to enter into a financial transaction.

#### **Compensation Schemes:**

In the event of a financial loss, clients of the Firm will not be eligible to claim compensation through the United Kingdom Financial Services Compensation Scheme ("**FSCS**"), as the Firm's investment activities are outside the rules of the FSCS. Further details on the FSCS can be found on the following web-site: <https://www.fscs.org.uk/>.

#### **Other Important documents:**

Prior to becoming a client of the Firm, GML will enter into one or more separate legal agreements with you (a "**Client Mandate**") that specify the services to be provided to you by the Firm, the terms on which those services are to be provided and the risks involved in the proposed mandate. The terms of these agreements supersede any and all information in this brochure unless specifically incorporated into a subsequent agreement at your request.

Systems and controls ("**SYSC**") outlined in this document are those in place as of the Publication Date. Clients and potential clients should not assume that any or all of these SYSC were effective prior to the Publication Date and should refer to previous copies of the Firm's brochure for details of those SYSC effective prior to the Publication Date.

Subject to the requirements placed on the Firm from time to time by the SEC and/or other national regulators (the “**Regulatory Requirements**”) the Firm reserves the right to amend, abandon or enhance any and all SYSC without prior consultation unless contractually obliged to follow those SYSC in a client Mandate or the Regulatory Requirements.

Prior to entering into a client Mandate, the Firm therefore encourages potential investors to consider the SYSC they require the Firm to adopt and, if these are more onerous than the Regulatory Requirements, ensure that they are included (either specifically or by reference to the relevant Firm’s brochure) in their Client Mandate.

### **Performance information:**

Please note that with respect to the investment portfolios managed by the Firm past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose part or all of the money invested. Moreover, the illiquidity of some of the assets managed by the Firm also means that even if you make a profit on your investment you may not be able to realize that investment in a defined timeframe. Investors and potential investors should therefore only invest funds for which they have no immediate need and can afford to lock-up for a considerable, undefined, period of time.

### **Data Protection and recording of calls:**

For security, telephone calls to the Firm may be recorded or monitored. The Firm also holds confidential information in relation to its clients and takes adequate steps to ensure the security and appropriate use of this information. In this respect, the Firm is registered with the Information Commissioner’s Office and details of the registration can be found by searching the ICO database (<https://ico.org.uk/esdwebpages/Search>) under registration number ZA394798.

### **Embedded links to web sites:**

In this brochure you are offered links to web sites. These links are provided only as convenience and GML does not accept any responsibility for the content of those web sites not under the control of the Firm or your use or inability to use them.

## **Legal and other regulatory information**

In addition to being a Registered Investment Adviser, the Firm is authorized and regulated by the national financial regulator of the United Kingdom, the Financial Conduct Authority (“FCA”). The Firm’s FCA reference number is 469093 (the firm’s “FRN”) and the FCA has authorized the Firm to conduct the businesses of: (1) managing an unauthorized Alternative Investment Fund under the Alternative Investment Managers Directive (EU law 2011/61/EU); (2) Managing Investments; and (3) other ancillary services such as giving investment advice to Eligible and Professional Customers (as defined by the FCA).

Further details about the Firm, its approved persons and regulatory permissions can be found on the FCA register (<https://register.fca.org.uk>) by searching either the name of the Firm or its FRN.

The Firm’s registered office is: Ground Floor, Bury House, 31 Bury Street, London, EC3A 5AR. United Kingdom. Further details about the firm, including statutory filings, can be found by searching the Companies House Register (<https://beta.companieshouse.gov.uk>) using either the Firm name or its registration number (OC326977).

The Legal Entity Identifier (LEI) of the Firm is: 21380030H3SX09J3ME75.

## ITEM 2 | Material Changes

This Item of the brochure, dated June 28, 2018, will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. The last update to this current version of our brochure was June 14, 2017.

**There were no significant business changes in the last 12 months.**

If you have received this single page of the Firm's brochure, as allowed by rule 204-3 of the Investment Advisers Act of 1940, please be aware that you can demand delivery of the full document at any time (without charge) by contacting us at our normal place of business or by calling the chief compliance officer on +44 (20) 7580 8588.

We will further provide you with a revised brochure, or this material changes page, as necessary based on changes or new information, at any time, without charge. In this respect material changes are defined as including, without limitation:

- Changes in the corporate structure of the Firm, its controllers or senior managers; and/or
- Adverse financial performance of the Firm, updating the disclosure in Item 8; and/or
- Disciplinary information, updating the disclosure in Item 9; and/or
- Material changes to financial affiliations, updating the disclosure in Item 10; and/or
- Other material changes to the business model of the Firm.

## ITEM 3 | Table of Contents

|  |    |
|--|----|
| ITEM 2   Material Changes .....  | v  |
| ITEM 3   Table of Contents .....   | vi |
| ITEM 4   Advisory Business.....  | 1  |
| ITEM 5   Fees and Compensation.....  | 2  |
| ITEM 6   Performance-based Fees .....  | 3  |
| ITEM 7   Types of Clients .....  | 4  |
| ITEM 8   Methods of Analysis, Investment Strategies and Risk of Loss.....                        | 4  |
| ITEM 9   Disciplinary Information.....   | 8  |
| ITEM 10   Other Financial Industry Activities and Affiliations .....                             | 8  |
| ITEM 11   Code of Ethics, Participation or Interest in Client Transactions and Personal Trading. | 9  |
| ITEM 12   Brokerage Practices .....  | 10 |
| ITEM 13   Review of Accounts.....  | 11 |
| ITEM 14   Client Referrals and Other Compensation .....  | 12 |
| ITEM 15   Custody .....  | 12 |
| ITEM 16   Investment Discretion.....   | 13 |
| ITEM 17   Voting Client Securities .....   | 13 |
| ITEM 18   Financial Information .....  | 14 |
| ITEM 19   Requirements for State-Registered Advisers.....  | 15 |

## ITEM 4 | Advisory Business

GML is a UK based investment adviser offering a specialized service of managing emerging market (“**EM**”) asset portfolios. These predominantly comprise debt instruments (bonds, loans and trade finance) which can either be performing (paying interest) or defaulted (where the issuer is in financial distress and unable to service its debt but the asset is considered to have been undervalued by the market). The portfolios can be managed by the Firm on the basis of:

- a private account for high net worth individuals and family offices, where (you) the client retain direct ownership of the investments and accept advice from the Firm on a discretionary or non-discretionary basis; or
- a collective investment, where the client of the Firm is a special purpose vehicle created for the purpose of pooling your capital with that of other likeminded investors to pursue a common investment strategy (a “**Fund**”); or
- a sub-adviser agreement, where the Firm is engaged by another Investment Company (i.e. investment adviser, pension fund, mutual fund or similar) to manage a part of their client portfolio on a discretionary or non-discretionary basis (a “**RIC**”).

In each scenario, without delegation to sub-advisers, the Firm selects assets for inclusion in the portfolio and manages them on a predefined basis according to a mandate agreed with the client (i.e., you or a Fund). As such, the Firm will not provide you with personal investment advice on any one specific product or investment.

GML is managed by a committee of senior members of staff and controlled by Stefan Pinter (the Firm’s CEO and founder) through his 100% ownership of GML (Holdings) Ltd, which has a single investment (100% of the share capital of GML International Ltd). The Firm itself is a 94% subsidiary of GML international Ltd (the “**Parent**”) which commenced operations in 1983. On the incorporation of the Firm in 2007, it assumed the adviser business previously undertaken by the Parent which retained certain other business interests that include representative offices in key EM countries so as to provide real time information to the Firm’s investment management team on local events that might have an influence on proposed investment decisions, exiting investments and/or investment strategy.

As mentioned above, the investment strategies employed by the Firm are specific to the mandates entered into by the Firm but all have a common theme: to provide an absolute return based on a combination of income and capital gains from EM fixed income investments.

As such, the risk profile of the services offered by the Firm are not comparable with mainstream investments and the Firm only solicits business once it has undertaken an in-depth assessment of each potential investor's suitability. In part, this requires any potential client to have the financial resources and experience of a "*professional investor*" and a commensurate risk appetite.

The business model of the Firm is not one of advising a high number of individual clients, rather the Firm looks to achieve economies of scale by pooling clients with complementary investment strategies. The Firm therefore has a preference to manage the Funds of pooled investment vehicles, but is also able to provide adviser or management services to managed accounts of substantial size.

At March 31 2018, the Firm managed client portfolios valued at \$608m on a discretionary basis.

## ITEM 5 | Fees and Compensation

The Firm does not have a predetermined fee schedule and negotiates the fees applicable to the mandate based on a number of factors including but not limited to the size of the investment portfolio being managed, expected composition of the portfolio and other factors related to the intensity with which the portfolio managers will need to manage the portfolio. GML adopts this approach to ensure that it can provide the level of resources required to effectively manage the portfolio and not compromise its objective of providing a good outcome for each client.

To finance the provision of core services, the Firm generally seeks to structure fees on the basis of a monthly fixed percentage of the value of assets under management (a "**Monthly Management Fee**", which is typically in the range 1-2% per annum). A share of the increase in value of the portfolio ("**Performance Fee**") is then also charged on a monthly basis to align the interests of the Firm's portfolio managers with that of its clients. Both fees are only charged to you, in the currency of the portfolio we manage, as a deduction from the portfolio (under an agency agreement between the Firm and you) on the basis of an external valuation of the assets. The Monthly Management Fee and Performance Fee both fall due for payment a month in arrears.

Depending upon the circumstances, GML may also levy an initial charge with respect to subscriptions in certain Funds. The reason for this charge, if any, will be fully explained to you prior to acceptance of funds under management. These charges are only levied infrequently and in the last twelve months the Firm has not had occasion to request these fees from prospective clients.



In addition to the management fees charged by the Firm you will be required to pay (or experience deduction of portfolio value in relation to) any applicable taxes and external fees or costs associated with the management of your assets in just the same way as you would pay fees if you managed the assets yourself. We make clear in advance of accepting a mandate which fees will be charged against your portfolio and these typically include, but are not limited to: execution fees; custody fees; investment specific costs; and, in the case of a Fund, professional fees such as those levied by the administrator or auditor.

No other direct or (hidden) indirect charges are levied by the Firm i.e. absorption of administrative costs of the Firm by your portfolio or soft dollar commissions, whereby a portion of brokerage fees charged against your portfolio by an executing broker is, in effect, rebated back to the Firm, or the portfolio, by the executing broker paying for ancillary services that would otherwise have been a direct and visible cost.

We do not charge up-front fees.

For the avoidance of doubt, other group companies represent external service providers to GML and the portfolios it manages but any fees charged by the group of which the Firm is a member are done so on an arm's length basis, with full disclosure and only incurred where it is in your best interest to do so, i.e. the fees are more competitive than other external parties and/or the service provided is deemed by the portfolio managers to be superior to that available from unconnected parties. In this respect, the Firm is instructed by conflicts of interest guidance from regulators and the relevant Client Mandates as well as its own internal conflicts of interest policy. In the last twelve months no group company has levied any fees against the asset portfolios managed by the Firm.

## **ITEM 6 | Performance-based Fees**

As mentioned in Item 5 above, GML charge clients in some of the Funds a Performance Fee. This is calculated based on a percentage of the increase in net asset value per share between predetermined dates and are typically 15% to 20% of the allocable increase in net asset value. However, if the value of the portfolio should fall in one year and increase in the next the Performance Fee would not necessarily be payable on the subsequent gain but be limited to the increase in the value of the portfolio from the previous "*high water mark*". In addition, for certain Funds, the Performance Fee is only payable if the increase in net asset value per share is above a "*hurdle*" rate (as specified in the relevant Fund offering documents). Performance Fees accruing to the Firm on Managed Accounts or sub-adviser agreements are structured in a similar way but, for sub-adviser agreements, a performance fee will only become payable if the lead adviser also receives a similar fee.

By charging a Performance Fee there is an inherent risk that rather than align interests it will serve to increase the risk appetite of the portfolio manager to the detriment of the client. Indeed, this was a significant factor in the global financial crisis and since then national regulators have sought to put in place procedures that prevent the decoupling of the interests of a firm from those of its clients (including the underlying investors in Funds). The Firm fully supports these initiatives and has in place policies and procedures to protect its clients from the possible abuse of the fiduciary duty the portfolio managers are under to provide the best client outcome. In particular, whilst the Firm manages client portfolios on a side-by-side basis to create efficiencies and enable the constant monitoring of investments, it does not favor one over the other based on the level of fee income. Where an asset is suitable for more than one portfolio the investment advisers/portfolio managers are required to allocate the asset to the applicable funds on a predetermined basis. Fuller details of this allocation process are detailed below in Item 8.

## ITEM 7 | Types of Clients

Please note that the Firm does not solicit business from the general public, i.e. retail clients. All of the investment strategies employed by the Firm require asset allocations that are not possible in small portfolios. Moreover, **investing in shares in Funds and EM asset portfolios involves risk of loss that clients must be prepared, and financially able, to bear.**

Details of the types of client that the Firm provides investment management services to are more fully described in Item 4 above and are subject to the scope of permissions the Firm has with the FCA.

## ITEM 8 | Methods of Analysis, Investment Strategies and Risk of Loss

The Firm does not utilize “*active trading strategies*” (i.e. a speculative trading strategy that seeks to take advantage of short-term price movements with a focus on highly liquid markets like stocks, currencies, options, and derivatives) on behalf of its clients. Rather it seeks to provide a total absolute return by looking at special situations and underpriced liquid and illiquid investment opportunities. In doing so, the Firm does not generally adhere to any benchmark when making investment decisions unless required to do so under a specific Client Mandate. This approach targets high return but does so at the cost of an increased risk profile that may not be suitable to all investors. Please see Item 7 above for a general risk disclosure and below for the identification of more specific risks associated with the investment strategy of the Firm.

GML identifies new investment opportunities from various activities and channels, which include but are not limited to:

- The extensive market knowledge of the Firm's portfolio managers; and/or
- GML's extensive global relationships (including with hundreds of corporations, exporters, importers and banks with which GML has concluded business in the past); and/or
- GML International, see Item 10 below for a full description of the services offered by this affiliate and Item 11 for controls in place over possible conflicts of interest; and/or
- From brokers and financial intermediaries; and/or
- The overseas representative offices of GML International Limited (Moscow, Kiev, Tbilisi and Genoa).

Typically, one or two members of the Firm's investment adviser committee ("**IAC**") will identify an investment opportunity, making him/her the "**Proposer**" of the idea. The Proposer will informally gauge from the IAC whether there is interest in considering a proposal for an investment idea, and if the response is positive, the Proposer will prepare a detailed investment proposal and circulate it to the IAC, where it is formally voted on.

The Firm's Risk Officer reviews the proposal and will request information and/or stipulate the ongoing monitoring requirements for this investment. The Firm's Compliance and Money Laundering Officer also reviews the proposal to ensure that any compliance issues are resolved before allowing the transaction to proceed.

In general, the above mentioned procedure is followed for bespoke loan and trade finance related instruments. For those Funds or Client Mandates which contain bonds and securities (which are traded on various clearing systems), the Firm can trade without such instruments without the necessity of IAC approval on a case-by-case basis.

Each client will most likely have different risk/return parameters (as agreed in the Client Mandate), which will impact whether or not specific investments will be considered for investment by different clients. However, there will be some overlap between the portfolios owned by different clients.

Where GML is required to make decisions about how to allocate a specific investment to different clients, decision drivers will include:

- Available cash that can be invested in a particular portfolio;
- Whether the investment meets specific client investment objectives, i.e. whether available country, sector and obligor limits can accommodate the transaction and the extent to which the transaction creates extra diversification as opposed to concentration within the portfolio; and
- The pipeline of other potential transactions which GML believes will be available and are suitable for the client's portfolio.

Depending upon the investment objectives of the portfolio, GML typically invests funds in one or more of the following asset classes as part of a diversified investment strategy:

1. Trade Finance: Investments in commodity, import, pre-export and project finance transactions in emerging markets. Because of the nature and structure of trade finance transactions, performance of trade finance investments is characterized by low price volatility, negligible interest rate and duration risk, limited and/or mitigated credit risk, and low correlation of returns with other asset classes.
2. Securities: Utilizing a liquid diversified emerging market high yield investment strategy. Core returns are typically derived from current yields on performing investments, which include diversified portfolios of emerging market bonds, loans, convertible bonds, trade finance transactions and, by exception, equities.
3. High Yield Credit and Special Situations: Portfolio diversification, hedging strategies and a focus on secured loans are used to reduce risk and/or maximize recoveries.

As a result, certain investments acquired by clients for which GML acts are potentially thinly traded and/or are without a large or established market and/or may be the subject of future restructuring or renegotiation. The Firm therefore considers some investment strategies adopted by clients to be high risk and unsuitable for those investors who have (or should have) a conservative risk appetite.

Depending upon the Client Mandate, the Firm may also seek to increase portfolio returns by employing leverage (through borrowings, stock lending or repurchase transactions) and/or short selling of securities.

All investments present the risk of loss, i.e. the value of assets or securities comprising the investment, when sold or otherwise disposed of, or the aggregate of monies received from interest and principal repayments may be less than the price paid for the securities.

Even when the value of the securities when sold, or the aggregate of monies received, is greater than the price paid, there is the risk that the appreciation will be less than inflation, and/or that fees and charges in relation to the investment may exceed the gains when securities are sold at a profit. In other words, the purchasing power of the proceeds from the liquidation of an investment may be less than the purchasing power of the original investment.

In its investment management strategies, GML may employ investment techniques which result in limited diversification of underlying investments, sector or geographical concentration, investment in option transactions, margin transactions, futures and forward contracts and any other leveraged or derivative transactions. **Such practices may, in certain circumstances, result in substantial or total loss.**

Illiquidity of investments held within client portfolios (and, in certain circumstances, difficulties in ascertaining the value of illiquid and/or EM investments) may arise from any one of a number of circumstances. Full details of risk profile will be discussed between the Firm and you prior to entering into a Client Mandate but might include such things as:

- there may be no established or recognised market for some of the investments;
- the prices of some investments may not be published and/or may not be readily ascertainable from any independent source;
- various trades into and out of investment portfolios may be possible to execute only on a matched bargain basis, i.e. they are not exchange traded and there are no market makers obligated to provide two-way prices;
- GML may invest in securities of financially troubled companies and will invest in illiquid over-the-counter securities and, potentially, non-publicly traded securities;
- Investments may be subject to foreign currency risk, which arises from investments and deposits being denominated in currencies other than the functional currency of a particular investment Fund. Where investments are denominated in major currencies other than USD (the functional currency of all current GML's investment Funds), it is usually the policy to enter into spot and forward currency contracts to partially offset currency exposure to the extent practicable. However, as it is not always possible to predict with certainty the timing of payments relating to investments, or the amounts of payments which are subject to floating rates of interest, it is not possible to eliminate entirely foreign currency risk, even in relation to currencies for which a liquid forward market exists. The Firm assesses the risk profile before entering into spot and forward currency contracts. The effectiveness of such hedging facilities is assessed on an ongoing basis by the Firm.

- the established or recognised market (if any) for the investments may be relatively small and/or poorly developed; and
- EM markets are generally less sophisticated than mainstream markets and this might impact not only the markets on which those investments trade but also the corporate governance of the companies in which the investments are made and the political risk.

**Investors and prospective investors in the Funds or RICs should refer to the offering documents or Statements of Additional Information (as applicable) of the respective Fund or RIC for fuller information on risks associated with these pooled investment vehicles.**

## **ITEM 9 | Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management. GML has no information to disclose that is applicable to this Item 9.

## **ITEM 10 | Other Financial Industry Activities and Affiliations**

The business model of the Firm's managing member (GML International Limited, the Parent), is: (1) the origination, structuring and distribution of new financings for emerging market borrowers within the Firm's target EM markets in Central and Eastern Europe, the Near East, and Central Asia; and (2) holding an investment portfolio.

The Parent's business model targets the entire spectrum of types of borrowing, ranging from trade finance and working capital finance for corporations (usually guaranteed by local banks), project finance for parastatal or other organizations (usually guaranteed by the relevant sovereign entity), financing for real estate projects, and general purpose funding for banks and sovereign borrowers. Risk placement is concluded in the "*à forfait*" market, the euro-loan market, with emerging market investment funds and pension funds, and in the international bond markets.

The Parent has also developed, and offers for licensing, a proprietary software program (GML Trade Finance Analytics™) for use in pricing forfaiting assets and has a small portfolio of EM investments as well as fixed asset investments in other financial services companies based in EM markets.

In addition to the wider business activities of the Parent, the Firm also has an investment in a Mauritian advisory business and, through its partners and employees, has close links with a number of other financial services companies. These close links are recoded by the Firm in a register of outside interests and these are reviewed on a regular basis to identify potential conflicts of interest. On the Publication Date, the partners of the Firm have concluded that all of these relationships satisfy the following conditions:

- The Firm has dealings with these entities in connection with the advisory services the Firm provides to its clients;
- There are no shared operations;
- There are no client referrals between the Firm and these organizations; and
- No other conflicts of interest have been identified.

To supplement the network of introducers the Firm has fostered over the years to introduce new investment opportunities (and for which the introducer would be paid a success fee on a completed transaction for a client) the Firm also has, from time to time, entered into arrangements with “**Capital Introducers**”. These individuals or corporations are generally authorized by a national regulator in the territory in which they are mandated to raise AUM for the Funds and are remunerated through a share of the income GML receives from both Management and Performance Fees. For the avoidance of doubt, GML pays any fees due to Capital Introducers from its own funds and does not pass-on the cost of their services to clients.

GML has no other tied relationships with other financial institutions or brokerage houses and executes all client transactions in the market on the basis of best execution.

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

The Firm does not allow, as a general rule, any of its connected persons to participate in a client transaction nor for assets to be crossed between accounts without being part of a market trade. There are not expected to be any exceptions to this rule although, historically, exceptions have been made at the request of a client. Such requests can only be actioned with the approval of both the senior managers of the Firm and the chief compliance officer, who also approves any personal account trading by connected parties. Whilst the Firm does not encourage connected parties to hold personal investments in the assets held by, or recommended to, clients there is no general prohibition on this provided the related parties are not seeking to transact at the same time as a client and/or in a situation in which a potential client conflict might actually, or potentially, arise.

GML has adopted a Code of Ethics (the “**Code**”) which sets forth high ethical standards of business conduct that the Firm requires of its partners and employees.

Needless to say, this Code encompasses compliance with applicable national securities laws and is designed to monitor and protect client interests and to prevent conflicts of interest or abuse of GML's or its partners' or employees' position of trust. Although not an SEC requirement, the Firm also ensures that all partners and employees of, and investors in, companies with close links to the Firm (such as the Parent) adhere to the Code which covers the following areas:

- Fiduciary Duties;
- Gifts and Business Entertainment;
- Service as a Director;
- Insider Trading;
- Protecting the Confidentiality of Client Information;
- Personal Securities Transactions; and
- Compliance Procedures.

A copy of GML's Code of Ethics is available to GML's advisory clients upon request to the chief compliance officer at GML's principal office address.

In addition to the policies and procedures included in the Code, GML is required to comply with the rules and regulations imposed upon it by the FCA. The rules of the FCA are onerous and augment those of the SEC in the areas of Systems & Controls, Capital Adequacy, Staffing, Market Abuse and Conflicts of Interest.

A copy of GML's Conflicts of Interest Policy is available to GML's advisory clients upon request to the chief compliance officer at GML's principal office address.

## **ITEM 12 | Brokerage Practices**

Where possible, the Firm minimizes the number of client orders executed in the market by aggregating orders and then allocating the assets to individual portfolios. In so doing, the Firm ensures that no one client is given preference over another and transaction costs are minimized. Placement of a single order in the market also enhances the ability of the Firm to provide best execution.

Best execution is broadly defined by the SEC as the execution of securities transactions for clients in such a manner that the clients' total cost or proceeds in each transaction is the most favorable under the circumstances.



GML, as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e. seeking to obtain the best overall qualitative execution in the particular circumstances. To ensure that the best execution policy is transparent, it is GML's policy not to trade with brokers on a soft dollar basis (that is, receiving research or other products or services other than execution from a broker-dealer or third-party in connection with client securities transactions).

Notwithstanding the generality of the above, the markets in which GML normally executes trades (the over-the-counter “OTC”, or interdealer, market) are not comparable with exchange traded equities as they lack depth, transparency and are not serviced by market makers. This has consequences on the manner in which best execution is obtained. Whilst price is a significant factor it is not the only one that needs to be taken into account. For example, to achieve the best all-inclusive price on the purchase of a bond, GML may seek multiple quotes but at the same time takes into consideration the fact that seeking multiple quotes may run the risk of making the market aware of GML's intention to trade. As a consequence, unlike a deeper and more liquid market, this information could impact quotes and move them away from the price that GML is seeking to obtain. As such, it may act to the detriment of best execution forcing GML to carefully manage each execution.

Clients and prospective clients should also be aware that for some of the assets or asset classes that the Firm invests clients funds in there may only be one execution venue and the asset may, even then, only trade by appointment (rather than via an exchange where there is a deep pool of liquidity). In such cases the ability of the Firm to achieve best execution via competing broker bids/offers becomes a moot point and the ability of the Firm to achieve its target price would be further compromised should an asset need to be liquidated in a defined timeframe (e.g. a forced sale).

## ITEM 13 | Review of Accounts

GML not only provides clients with periodic statements but also undertakes an intensive, ongoing, review of client investments and investment performance. This includes not only the day-to-day investment activities of the firm but also the monthly third-party asset valuations provided to our administrator that are used in the calculation of the net asset value of your investment portfolio.

Both GML's Investment Committee (chaired by its CEO) and its Risk Officer review underlying client fund investments on a weekly basis. At the same time, they also review the daily actions of the individual investment advisers (who constantly monitor the composition of each portfolio).

Each portfolio is reviewed in the context of its investment mandate and more frequent reviews may be triggered by material changes in the specific circumstances of a portfolio, the market, and/or the macro environment.

The results of these reviews are only communicated to clients by exception and investors in Funds managed by GML are typically provided with monthly account statements containing information relating to such investor's Capital Account balance as well as commentary and/or statistical data prepared by GML that summarizes the performance of the applicable Fund. Investors also receive an annual or semi-annual report containing audited financial statements as soon as practicable after the end of each fiscal year of the Fund.

The frequency and form of reporting for other portfolios is separately agreed with the client at the time the mandate is entered into and would not, typically, be any less frequent or intensive than that provided to the Fund investors.

As noted in Item 8 above, unless otherwise directed, the Firm does not generally adhere to any benchmark when making investment decisions. However, as an investor you will need to have a comparator against which to measure our performance. This will be discussed with you at the time we enter into a Client Mandate and, given the constraints placed over our discretion and portfolio composition, we will propose: (a) a suitable benchmark (or benchmarks) against which our performance can be tracked; and (b) if an imperfect measure of performance, make you aware of any expected deviation from this benchmark.

## **ITEM 14 | Client Referrals and Other Compensation**

GML has not referred any clients in the last twelve months nor received any compensation other than that derived from its portfolio management activities. However, please see Item 10 above for the relationship the firm has with Capital Introducers and Item 5 above for the details of other compensation that might be earned by the Firm.

## **ITEM 15 | Custody**

The Firm does not serve as the qualified custodian of any of the assets owned by its clients and does not maintain physical custody of any securities or cash owned by them.

Irrespective of the above, the SEC issued a no-action letter (the "**Letter**") dated February 21, 2017 with respect to the Rule 206(4)-2 (the "**Custody Rule**") under the Investment Advisers Act of 1940.

The Letter provided guidance on the Custody Rule, as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction is deemed to have custody. As applicable, the Firm satisfies this regulatory requirement by, among other things, ensuring that any Funds that are domiciled in the United States, have US Persons as investors or were marketed to US persons in the last 12-months are; (a) subject to an annual audit by an independent, PCAOB-registered & examined accounting firm; and (b) that such audited financial statements are provided to the investors in the Funds within 120 days of the applicable fund's fiscal year end.

Where the Firm arranges custody on your behalf, for a direct Client Mandate, the Firm will provide you with monthly statements relating to the assets held on your behalf and their valuation. Prior to arranging for the distribution of these statements the Firm will ensure that the contents of the report are reconciled with the internal records of the Firm and represent a true and accurate representation of your portfolio. This provision is not applicable to investors in Funds, as full details are restricted by confidentiality.

## **ITEM 16 | Investment Discretion**

When mandated by a Fund, GML will provide investment services on either an entirely discretionary or non-discretionary basis that can normally only be varied by a change in the terms under which the capital has been raised (on the basis of a private placement memorandum that provides GML with the power of attorney to act as agent for the fund). For other clients, GML operates a more flexible policy insofar as the client can, by a simple written notice, flex the mandate based on their own personal circumstances and risk appetite: modifying the mandate / agency agreement with regard to individual issuer, instrument or country risk. However, where a client elects to do so they must be cognizant of the fact that performance of their portfolio may diverge from what the Firm could otherwise have achieved.

## **ITEM 17 | Voting Client Securities**

In large part, this follows the discretion under which the Firm manages the portfolio and unless otherwise instructed the Firm will vote on corporate actions as part of an integrated investment strategy.

As the Firm does not manage equity portfolios the matters on which the Firm are asked to vote tend not to be of a routine nature and may have a material impact on the future value of the investment.

For example, as the agent of a holder of a bilateral, club or syndicated loan, the Firm may be required to vote on such matters as agreeing or rejecting proposals for waivers, amendments and other changes to the terms of credit facilities. These proposed changes can range from proposals for simple, technical and non-material amendments, to potentially significant and fundamental amendments, including the restructuring/renegotiating of transaction terms with the borrower (issuer) and sponsor or MLA for the relevant loan. Typically this process involves GML in its capacity as investment manager, agreeing or disagreeing with a request from a borrower (typically made via the loan's sponsor, MLA or Security Agent) and then, if agreed, arranging for the Fund or its custodian to enter into written amendments, supplements or modifications to the investment's credit documents for the purpose of adding or deleting any provisions of the credit documents or changing the rights and/or obligations of all or any of the borrower, guarantor, security provider or obligor.

Where possible, and if you (the client, but not an investor in a Fund) so directs, we will notify you of matters on which we have received notification of a vote and seek your views. However, where investments are pooled it may be impossible to separate your vote from other investors. Should this be the case, we will take into account the interests and wishes of all impacted investors and vote according to our determination of the best course of action. Should you wish to retain full control of voting rights you will need to inform us accordingly and potentially need to incur greater costs to fully segregate your portfolio from other pooled assets.

Upon request, we will provide you with both a copy of our policies and procedures on proxy voting and a record of how we have voted on the matters relating to portfolio assets managed in your name.

## **ITEM 18 | Financial Information**

Registered investment advisers are required in this Item 18 to provide you with certain financial information or disclosures about GML's financial condition. GML has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

As noted in Item 11 above, the Firm is also authorized and regulated by the FCA. Integral to this authorization is that the Firm maintains adequate liquid capital so as to ensure it can continue to service clients. Should the Firm's capital fall below this threshold the FCA requires the Firm to cease trading in an orderly manner without detriment to its clients.

As a result, the FCA requirements places obligations on the Firm to not only hold sufficient capital for normal operational requirements (Pillar I) but also to cover an orderly winding-up of the business (Pillar II).

At March 31 2018, GML's liquidity ratio was 14.3%: almost twice that required to satisfy the regulatory requirement of 8%. As required by the rules and regulations of the FCA, details of the Firm's capital requirements and associated disclosure are published on the Firm's website.

## **ITEM 19 | Requirements for State-Registered Advisers**

This Item is not applicable, as the Firm is not registered with one or more state securities authorities.