

SOMERSET CAPITAL MANAGEMENT LLP

110 Buckingham Palace Road

London SW1W 9SA

United Kingdom

TEL: (011) 44 20 7499 1300

FAX: (011) 44 20 7259 0514

EMAIL : info@somersetcm.com

www.somersetcm.com

BROCHURE

PART 2A

August 25, 2016

This brochure provides information about the qualifications and business practices of Somerset Capital Management LLP. If you have any questions about the contents of this brochure, please contact us at (011) 44 20 7499 1300 and/or info@somersetcm.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Somerset Capital Management LLP also is available on the SEC’s website at www.adviserinfo.sec.gov.

Whilst Somerset Capital Management LLP is registered as an investment adviser with the Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940 (the “Advisers Act”), as amended, it does not comply with the Advisers Act with regard to its non-US clients. Registration with the SEC does not imply a certain level of skills or training.

ITEM 2: MATERIAL CHANGES

A. The following summary discloses material changes made to this brochure since the Adviser's last annual update on 26 June 2015: Since this annual update Somerset Capital Management LLP updated Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) to reflect the creation of the Risk Management Committee. There were no other material changes made.

ITEM 3: TABLE OF CONTENTS

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
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.....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9: Disciplinary Information.....	10
Item 10: Other Financial Industry Activities and Affiliations.....	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12. Brokerage Practices	13
Item 13: Review of Accounts	15
Item 14. Client Referrals and Other Compensation.....	16
Item 15. Custody.....	16
Item 16. Investment Discretion.....	17
Item 17. Voting Client Securities.....	18
Item 18. Financial Information.....	19

ITEM 4: ADVISORY BUSINESS

A. General Description of Advisory Firm – Somerset Capital Management LLP (or “SCM”) is a limited liability partnership which was formed in the United Kingdom on April 26, 2007. SCM commenced business shortly thereafter. SCM’s principal place of business is 110 Buckingham Palace Road, London SW1W 9SA, United Kingdom. SCM has been registered as an investment adviser with the SEC since June 6, 2008. SCM was authorised by the Financial Services Authority in the United Kingdom (“FSA”) between September 18, 2007 and March 31, 2013 when the Financial Conduct Authority (“FCA”) became SCM’s regulator and SCM has been authorised by the FCA since April 1, 2013.

SCM is majority owned by its staff and its affairs are directed by its Executive Committee which includes SCM’s founding partners.

B. Description of Advisory Services – SCM provides discretionary and non-discretionary investment advisory services to its clients, which include institutions with separately managed accounts and pooled investment vehicles intended for sophisticated investors and institutional investors. SCM’s services are limited to the following long-only, global emerging market equity strategies: Global Emerging Market (“Large Cap”), Small Cap, Dividend Growth, Mid Cap, Small Mid Cap Emerging and Frontier Markets (“SMID”) and Frontier, which are described further under item 8.

SCM provides discretionary and non-discretionary advisory services to: (i) SCM sponsored private investment funds that are offered to U.S. and non-U.S. investors (the “SCM Funds”); (ii) certain other pooled investment vehicles offered solely outside the U.S. to non-U.S. investors; (iii) funds that are registered as investment companies under the Investment Company Act of 1940, as amended, to which SCM serves as a discretionary sub-adviser and (iv) separately managed accounts.

An investor or prospect in a SCM Fund should refer to the confidential private placement memorandum, limited liability company agreement, articles of association and other governing documents for such pooled investment vehicle for more complete information about the investment objectives and investment restrictions applicable to such pooled investment vehicle.

SCM may enter into “side letters” or similar agreements with certain investors in the SCM Funds granting the investor certain specific rights, benefits, or privileges that are not made available to investors generally.

There is no assurance that any client account’s investment objectives will be achieved.

C. Availability of Tailored Services for Individual Clients – SCM provides advice to client accounts based on a limited number of specific investment objectives and strategies. SCM may agree to tailor advisory services to the individual needs of clients including creating new investment strategies in response to specific client requests. Clients may impose restrictions on investing in certain securities or certain types of securities.

D. Wrap Fee Programs - SCM does not participate in wrap fee programs.

E. Client Assets Under Management - As of March 31, 2016, SCM managed the following client assets:

Non-Discretionary Client Assets:	US\$	74,687,916
Discretionary Client Assets:	US\$	<u>6,131,815,482</u>
Total Assets under Management:	US\$	<u>6,206,503,398</u>

ITEM 5: FEES AND COMPENSATION

A. Advisory Fees and Compensation

Fee Schedules - All U.S. clients of SCM are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Consequently, SCM has not included specific fee information in this brochure relating to its clients. An investor in a pooled investment vehicle advised by SCM should review the governing documents of such pooled investment vehicle in conjunction with this brochure for more complete information on the fees and compensation payable with respect to such pooled investment vehicle.

Deduction of Fees - Management fees and performance allocations charged to an SCM Fund are typically deducted directly from the assets of such SCM Fund.

B. Payment of Fees – SCM’s fees for its investment advisory services are generally payable monthly or quarterly in arrears. SCM does not allow clients to elect that SCM deduct its fee directly from their account.

Upon termination of SCM’s investment advisory services with respect to a client account, any earned, unpaid fees will be immediately due and payable by the applicable client.

Please refer to the governing documents of the applicable SCM Fund for more complete information on the timing of advisory fee payments by such SCM Fund.

C. Other Fees and Expenses - In addition to paying investment management fees, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts. In addition to the expenses set forth above, each of the private funds managed by SCM also pay legal fees, research fees and expenses, fees charged by accountants and administrators for their professional services and other expenses related to the fund as described in greater detail in the private fund’s offering documents. Client assets may be also invested in money market mutual funds or other investment funds. In these cases, the client will bear its pro rata share of the investment management fee and other fees and expenses of the fund, which are in addition to the investment management fee paid to SCM.

To help ensure that the SCM Funds and therefore the investors in these funds are not charged undue costs, SCM’s policy is (i) to make adequate disclosure in the offering documents of the SCM Funds in relation

to the nature of fees and expenses charged to the funds and (ii) not to charge the SCM Funds any fees and expenses that do not directly benefit the funds and their investors and to pay for such costs itself.

The section below entitled “Brokerage Practices” describes the factors that SCM considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

D. SCM’s clients do not pay fees in advance.

E. Neither SCM nor its supervised persons will receive any form of compensation as broker or agent for the sale of securities or other investment products by any client account.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance-Based Fees

SCM may receive a performance-based fee or special allocation of profits from its clients (including some of the SCM Funds) separate and distinct from the advisory fees that such clients pay SCM for its investment advisory services. Different client accounts may be subject to different performance-based compensation arrangements. The performance-based compensation arrangements comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (together with all the rules and regulations promulgated thereunder, the “Advisers Act”).

Performance-based compensation arrangements received by SCM may create an incentive for SCM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Please refer to the governing documents of the applicable SCM Fund for more complete information on the performance-based compensation arrangement such SCM Fund is subject to.

Side-by-Side Management

SCM and its investment personnel provide investment management services to multiple portfolios for multiple clients. SCM is entitled to be paid performance-based compensation by certain client accounts which include private funds. SCM and its investment personnel manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain client accounts may have higher asset-based fees or more favourable performance-based compensation arrangements than other accounts. When SCM manages more than one client account a potential exists for one client account to be favoured over another client account. SCM and its investment personnel have a greater incentive to favour client accounts that pay SCM performance-based compensation or higher fees.

To mitigate the potential conflicts of interests described above, in the event that investment opportunities are suitable for more than one client account, it is SCM’s policy to allocate all investment opportunities in a manner that is fair and equitable to each client account relative to the other relevant client accounts over time, taking into account all factors potentially applicable to each client. Among the factors that may be considered by SCM in allocating trades among client accounts are SCM’s target percentages for that stock

in reference to the client account's total asset value, investment policies, guidelines or restrictions applicable to each specific client, available liquidity and timing of cash flows.

ITEM 7: TYPES OF CLIENTS

Types of Clients - As noted under **Item 4 – Advisory Business** above, SCM provides discretionary and non-discretionary advisory services to: (i) the SCM Funds; (ii) certain other pooled investment vehicles offered solely outside the U.S. to non-U.S. investors; (iii) funds that are registered as investment companies under the Investment Company Act of 1940, as amended, to which SCM serves as discretionary sub-adviser; and (iv) separately managed accounts. SCM's clients and the investors in the SCM Funds may include corporations, endowments, foundations, trusts, estates, charitable organizations, pension and profit sharing plans and high net worth individuals. The SCM Funds are offered exclusively to investors who qualify as "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended, and "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended, (the "Investment Company Act") and are therefore not required to register as investment companies under the Investment Company Act in reliance upon certain exemptions available to funds whose securities are not publicly offered.

Minimum Investment Requirements – SCM generally requires that a client invests a minimum of \$50,000,000 to open a managed account. However, SCM may accept a lesser initial investment in its sole discretion.

The minimum investment in respect of each SCM Fund is set out in the SCM Fund's governing documents. The Manager of each SCM Fund may, in its discretion, waive the minimum investment amount.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies - SCM utilizes six long-only global emerging market investment strategies: (1) a Global Emerging Market ("Large Cap") strategy; (2) a Small Cap strategy; (3) a Dividend Growth Strategy; (4) a Small Mid Cap Emerging and Frontier Markets ("SMID") strategy; (5) a Mid Cap strategy; and (6) a Frontier Markets strategy.

The investment objective of the **Global Emerging Market strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America.

The investment objective of the **Small Cap strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America and whose market capitalisation does not exceed US\$ 2.5 billion at the time of the investment (although the strategy may add to such positions from time to time notwithstanding that the market capitalization of an investee company may subsequently exceed US\$ 2.5 billion).

The investment objective of the **Dividend Growth strategy** is to seek to achieve capital appreciation and income growth by mainly investing in an actively managed portfolio of dividend-paying emerging market securities. The portfolio consists principally of quoted equity securities, issued by companies established

or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America.

The investment objective of the **Small Mid Cap Emerging and Frontier Markets strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in emerging or frontier countries (principally in Asia, Eastern Europe, the Middle East, Africa and Latin America). The strategy focuses on small and mid-cap companies with market capitalisations ranging from US\$250,000,000 to US\$ 7,500,000,000.

The investment objective of the **Mid Cap strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in frontier and emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America and whose market capitalisation is generally less than US\$ 13 billion.

The investment objective of the **Frontier Markets strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in frontier and emerging market countries (principally in Asia, Eastern Europe, the Middle East, Africa and Latin America).

SCM utilizes fundamental research to identify investment opportunities. SCM utilizes a variety of information sources for its research, including specialist databases, company reports and websites, stockbrokers' equity research and the press. SCM generally visits its target investee companies.

While SCM expects to invest primarily in quoted equities, it may also invest in unquoted equities (although the proportion of assets invested in such securities is expected to be low and may also be limited by the terms of the client agreement).

SCM has implemented a risk management framework to address the risk that portfolio managers exceed the risk tolerance levels or stated objectives of a client (such as those set out in the prospectus of the SCM Funds), resulting in overconcentration in a single issuer or sector, or in illiquid assets, or the excessive use of leverage. The Firm's permanent risk management function is headed by the Chief Operating Officer ("COO") and supported by two permanent members of staff who administer Advent Rules Manager, the Firm's risk management system. The risk management function reports to the Risk Management Committee comprising the Chief Executive Officer ("CEO"), the COO and the non-executive partner.

SCM's risk management function monitors the liquidity of each SCM Fund against the redemption policy. The Risk Management Committee of SCM will be notified, in a timely manner, whenever a liquidity mismatch arises that could result in damage to the interests of a SCM Fund or its investors. The policy of SCM is to ensure that for each SCM Fund, the liquidity profile of the fund remains consistent with its redemption policy so as to address the risk that SCM has to sell a greater proportion of a SCM Fund's liquid assets in order to meet redeeming investors' requirements than it would otherwise sell in the exercise of prudent investment management, with the result that remaining investors hold a higher proportion of illiquid or relatively illiquid assets; or that SCM executes sales of illiquid assets at discounted prices, thereby reducing returns for all investors.

This investment strategy and method of operation involves the risk of loss to clients and clients should be prepared to bear the loss of their entire investment.

B. Material Risks Related to Investment Strategies:

Equity Securities

Equities are a volatile asset class suitable only for clients with a tolerance for wide fluctuations in the market value of their investments. The market price of equity securities may be affected by international events or market factors such as economic or industry cycles or broad declines in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts. Multinational companies earn revenues and incur expenses in multiple currencies. Currency fluctuations can affect a multinational company's financial performance and/or competitive position. Investing in companies with small and medium-sized market capitalizations may involve greater risk than investing in larger companies, and their share prices can fluctuate dramatically in a short period of time. Small and mid-cap companies may be more susceptible to setbacks or downturns than larger companies and may experience higher rates of bankruptcy or other failures. In addition, the shares of a small or mid-cap company may be thinly traded.

Emerging Markets.

The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Warrants

A warrant is a time-limited right to subscribe for shares or bonds at a particular price and is exercisable against the issuer of the warrants. The issuer of the warrants may be the original issuer of the underlying securities or a third party issuer that has set aside a pool of the underlying securities to cover its obligations under the warrants (i.e., covered warrants). Each warrant is a contract between the warrant issuer and the holder. The holder is therefore exposed to the risk that the issuer will not perform its obligations under the warrant. The price of the warrants will be affected by the risk factors that can affect the price of the underlying securities to which the warrant relates. Warrant prices can be volatile. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant.

Bank Issued Warrants / Promissory Notes

Bank issued warrants and promissory notes give the holder the economic exposure to shares and are issued in markets where non-resident investors face hurdles in acquiring the underlying shares. These instruments are subject to the risk of non-performance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty.

Non-US Securities and Foreign Currency Exposure

Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than US investments. In addition, foreign markets can perform differently from the U.S. market. A substantial portion of securities in SCM's client accounts may be denominated in currencies other than the US dollar and as SCM does not currently

employ hedging techniques, the value of the client account can be significantly affected by currency movements.

Illiquid Instruments.

Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and SCM's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for SCM to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

Currency Exchange Transactions

Currency exchange transactions protect against uncertainty in the level of future exchange rates when merited and practicable. SCM may conduct currency exchange transactions for a client account either on the spot (i.e., cash) basis at the rate prevailing in the currency exchange market, or through entering into forward contracts to purchase or sell currency. The use of forward currency contracts does not eliminate fluctuations in the underlying prices of the securities, but it does establish a rate of exchange that can be achieved in the future. Although forward currency contracts limit the risk of loss due to a decline in the value of the hedged currency, at the same time they also limit any potential gain that might result should the value of the currency increase.

C. Risks Associated with Types of Securities that are Primarily Recommended – See Item 8.B. above.

ITEM 9: DISCIPLINARY INFORMATION

This Item is not applicable.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. SCM is not registered as a broker-dealer.

B. SCM is not registered as a commodity pool operator or a commodity trading adviser.

C. Material Relationships or Arrangements with Industry Participants – Somerset Capital Management (Cayman) Limited ("Somerset Cayman") is a limited liability company incorporated in the Cayman Islands on September 28, 2007. Somerset Cayman and SCM are under common control. Somerset Cayman has been appointed Manager of the SCM Funds. Somerset Cayman does not provide investment advisory services to the SCM Funds, nor to the clients of SCM. SCM acts as the investment adviser to the SCM Funds.

SCM is also affiliated to Somerset Capital Management Singapore Pte Ltd ("Somerset Singapore"), a company incorporated in Singapore and which provides research and related services to SCM. Somerset Singapore and SCM are under common control. Somerset Singapore has been registered with the Monetary Authority of Singapore to undertake the regulated activity of Fund Management since July 2, 2013.

D. Material Conflicts of Interest Relating to Other Investment Advisers. SCM may from time to time invest part of a client's account in pooled investment vehicles managed by third party unaffiliated investment advisers where such investment advisers in turn invest in pooled investment vehicles to which SCM provides discretionary advisory investment services ("cross- holdings"). These cross holdings create a potential conflict of interest and may affect SCM's judgment when making such investments on behalf of its clients. Cross holdings are specifically identified at the time of investment and reviewed periodically by SCM's Chief Compliance Officer. In addition, SCM may neither grant nor receive any preferential terms in relation to cross holdings. There are no other material conflicts arising from SCM's selection of other investment advisers for its clients.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

A. Code of Ethics - SCM has adopted a Code of Ethics (the "Code") that sets out its policies in respect of personal securities transactions, gifts & business entertainment and outside affiliations & political and governmental activities of its employees¹. The Code obligates SCM and its employees to put the interests of SCM's clients before its own interests and to act honestly and in good faith in all respects in its dealings with clients. All of SCM's personnel are also required to comply with applicable federal securities laws.

The Code requires all employees to seek prior approval for and to report their personal securities transactions and holdings to SCM's CCO. The CCO will consider potential conflicts with clients' interests as part of the approval process and the personal securities transaction will not be approved where there is a conflict. SCM's Code prohibits SCM or its employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the CCO. All of SCM's employees are also required to provide broker confirmations of each transaction in which they engage and a quarterly certification of such transactions, as well as disclose their holdings on an annual basis.

SCM, in the course of its investment management and other activities, may come into possession of confidential or material non-public information about issuers, including issuers in which SCM has invested or seeks to invest on behalf of clients. SCM is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. SCM maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that SCM is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, SCM may possess certain confidential or material, non-public information that, if disclosed, might be material to a decision to buy, sell or hold a security, but SCM will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, SCM will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that SCM possesses such information), or not using

¹ The term "employees" includes "relevant persons" (i.e., any of the following (a) a director, partner or equivalent, manager, employee or appointed representative of SCM, and (b) any other natural person, including persons operating under an outsourcing arrangement, whose services are placed at the disposal and under the control of SCM and who is involved in the provision by SCM of regulated activities as defined by the FCA) and "access persons" (i.e., a supervised person who has access to non-public information regarding a client's purchase or sale of securities, who is involved in making securities recommendations to clients or who has access to such recommendations that are non-public; a "supervised person" means a director or officer (or other person occupying a similar status or performing similar functions), employee and any other person who provides advice on behalf of SCM and is subject to SCM's supervision and control.)

such information for the client's benefit, as a result of following SCM's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Clients or prospective clients may obtain a copy of the Code of Ethics by contacting Robert Diggle (Chief Compliance Officer) by email at robert@somersetcm.com or by telephone at (011) 44 20 7259 1300.

To address the risks that the personal interests of the COO (who heads the risk management function and is a member of SCM's Valuation Committee) conflict with his professional role for SCM and that the CEO asserts undue influence, SCM has implemented mitigating measures by (i) introducing a strong, documented and clear risk management framework, overseen by the Risk Management Committee (comprising the CEO, COO and non-executive partner); and (ii) segregating the risk management and the portfolio management functions hierarchically throughout the whole hierarchical structure of SCM up to the Executive Committee, with the COO sitting on the Executive Committee.

B. Client Transactions in Securities where Adviser has Material Financial Interest – SCM may, on occasion, cause one or more of its clients to buy securities from, or sell securities to, other clients of SCM at current market prices, including accounts in which SCM, its principals or employees are investors or in which such persons may have a financial interest due to the payment of a performance allocation to SCM (or an affiliate) by such client.

SCM may effect cross transactions between discretionary client accounts, except as noted below. Cross transactions enable SCM to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavourable price movement that may be created through entrance into the market and saving commission or other transaction costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. SCM has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between clients are not permitted if they would constitute "principal transactions" or transactions for which SCM or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which SCM or its affiliates will act, and otherwise in accordance with the Advisers Act and related rules. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

Remuneration and bonus arrangements for all employees of SCM are carefully considered to ensure that conflicts do not inadvertently arise through targets that inappropriately incentivise staff to behave in a manner that disadvantages the interests of a client in favour of SCM or of other clients.

C. Investing in Securities Recommended to Clients – SCM and its principals and employees are investors in some of the SCM Funds. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by SCM, its principals and employees, is the primary method employed by SCM to address the conflicts of interest that arise with respect to these transactions.

D. SCM does not recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that SCM or a related person buys or sells the same securities for its own account.

ITEM 12: BROKERAGE POLICIES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions -

Unless otherwise provided in an investment management agreement with a particular client, SCM possesses the same discretion to determine the broker or dealer to be used for each securities transaction for each client account. In selecting brokers or dealers to execute transactions (or series of transactions), SCM considers a number of factors to determine the reasonableness of the broker-dealer's compensation. Such factors include price, ability to effect the transactions, the brokers' or dealers' facilities, reliability and financial responsibility, special execution capabilities, block trading capabilities, willingness to execute related or unrelated difficult transactions in the future, quotation services, custody, recordkeeping and similar services, and any research or investment management-related services provided by such brokers or dealers; however, SCM need not solicit competitive bids from broker-dealers and does not have an obligation to seek the lowest available commission cost. Where it utilizes full-service brokers, it is SCM's practice to negotiate "execution only" commission rates (being rates which approximate to the rates charged by "execution only" brokers). However, there is no certainty that a lower commission charge could not be obtained from the full-service broker if the service provided were limited to "execution only" services. This may mean that a client is paying for research, brokerage or other services provided by a broker-dealer in the commission rate.

1. Research and Other Soft Dollar Benefits - SCM receives research from certain broker-dealers in connection with client securities transactions. This is known as a "soft dollar" relationship. SCM limits the use of "soft dollars" to obtain research and brokerage services in compliance with the FCA Rules and as permitted under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)").

Research services within Section 28(e) includes, but is not limited to, research reports (including market research); certain financial newsletters and trade journals; attendance at certain seminars and conferences; discussions with research analysts and meetings with corporate executives. Research services permitted under FCA Rules are limited to "substantive research" being research which is capable of adding value to investment decisions by providing new insights that inform the investment manager when making such decisions about its customers' portfolios and present the investment manager with meaningful conclusions based on analysis or manipulation of data. The FCA does not consider corporate access services as being "substantive research".

Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software used to transmit orders; clearance and settlement in connection with a trade; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as, electronic confirms or trade affirmations. Brokerage services permitted under FCA Rules are limited to services that directly relate to the execution of trades on behalf of the investment manager's customers.

As disclosed above, SCM may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits, resulting in higher transaction costs for clients. The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, SCM will not have to pay for the products and services itself. This creates an incentive for SCM to select or recommend a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from the client's portfolio transactions may be used by SCM in its other investment activities, including for the benefit of other client accounts. SCM does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

In order to manage the conflicts of interest inherent in its brokerage practices, SCM has adopted the following policies:

- (i) SCM limits the use of "soft dollars" under client commission arrangements to those products and services that are permitted under the safe harbor of Section 28(e), the FCA rules and applicable regulatory interpretations; and
- (ii) SCM's brokerage policies are disclosed to clients in writing prior to the provision of SCM's services, generally as part of the investment management agreement or the applicable offering memorandum. In addition, SCM provides to its clients at least once a year or in relation to such other periods as its clients may reasonably require, a report on its use of broker commission.

SCM may receive corporate access and/or research from brokers without any direct costs or increase to their standard execution-only rates. SCM will accept these added services only where it is assured that there is no potential or actual compromise made to the provision of best execution to its clients. SCM formally monitors the provision of best execution on a monthly basis and will delete brokers from its approved list should it be concerned that best execution is not being provided, irrespective of the services received.

SCM may appoint a broker to provide execution and/or research services when that broker or an affiliate is also a client of SCM. SCM will only appoint such broker where it is assured that there is no potential or actual compromise made to the provision of best execution to its clients. SCM formally monitors the provision of best execution on a monthly basis and will delete brokers from its approved list should it be concerned that best execution is not being provided, irrespective of whether there is also a client relationship in place.

2. SCM does not select or recommend broker-dealers based on whether it receives client referrals from such broker-dealer.

3. Directed Brokerage - Under certain circumstances, SCM may permit clients to direct it to execute the client's trades with a specified broker-dealer. When a client directs SCM to use a specified broker-dealer to execute all or a portion of the client's securities transactions, SCM treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion SCM would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the client's account. Although SCM attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case SCM will continue to comply with the client's instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, SCM will select broker-dealers other than the directed broker-dealer to effect client securities transactions. A client who directs SCM to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because SCM may not be able to aggregate orders to reduce transaction costs), less favourable execution of transactions, and the potential of exclusion from the client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. By permitting a client to direct SCM to execute the client's trades through a specified

broker-dealer, SCM will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The commissions charged to clients that direct SCM to execute the client's trades through a specified broker-dealer may in some transactions be materially different to those of clients who do not direct the execution of their trades. Clients that direct SCM to execute their trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other clients of SCM.

B. Order Aggregation - Where possible, SCM will aggregate orders for clients for the purchase or sale of the same security using the same executing broker. Such aggregation may enable SCM to obtain for clients a more favourable price or a better commission rate based upon the volume of a particular transaction. Nevertheless, there may be circumstances when aggregation works to the disadvantage of a client but is done to provide equitable treatment to all clients. SCM aggregates client orders where it reasonably believes that this is in clients' overall best interests or to provide equitable treatment. Where it is intended to aggregate orders for clients, this will be disclosed in the relevant client investment management agreements or offering memoranda.

Where it aggregates orders across client accounts, SCM will pre-allocate the securities across the aggregated client accounts before the transaction is effected, specifying the participating client accounts and method of allocation among accounts. After the trade is executed, securities shall be promptly allocated to client accounts in accordance with pre-allocation. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the volume-weighted average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, SCM's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients.

ITEM 13: REVIEW OF ACCOUNTS

A. Frequency and Nature of Review – SCM will periodically monitor portfolio investments on behalf of each client account. Each client account is generally reviewed daily by the relevant Investment Managers for weightings of individual positions, performance and adherence to investment policies.

B. Content and Frequency of Regular Account Reports - Each client that has a managed account will receive reports in accordance with what is specified in their individual investment management agreement. Generally, clients will receive a monthly written summary of their account's performance, and key highlights of trading activity. Such reports may be delivered electronically to the client in accordance with the client's agreement with SCM.

Each SCM Fund distributes to its investors a monthly investment report, a monthly statement of account, and annual audited financial statements within 120 days after the financial year end, and annual tax reports.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits Received from Non-Clients for Providing Services to Clients - As discussed in **Item 12 – Brokerage Practices** SCM receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for SCM to select or recommend broker-dealers based on SCM’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by SCM on behalf of its clients. Please see **Item 12 – Brokerage Practices** for further information on SCM’s “soft-dollar” practices, including SCM’s procedures for addressing conflicts of interest that arise from such practices.

SCM does not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to SCM’s clients, other than from broker-dealers in the form of soft dollars as described above.

Third Party Compensation for Client Referrals – SCM or its affiliates may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to an SCM Fund. Any sales charge associated therewith will ultimately be payable by SCM or its related persons, either directly or through an offset of the management fee payable by the relevant SCM Fund to SCM. An investor will not be charged any additional amount or bear any additional charges as a result of an introduction through a placement agent or other unaffiliated third party.

Consistent with SCM’s fiduciary duties to its clients, SCM endeavours at all times to put the interests of the SCM Funds over the interests of SCM or its affiliates. Nevertheless, the receipt of compensation by placement agents creates a potential conflict of interest, and may affect the judgment of placement agents when making referrals to SCM and the SCM Funds.

ITEM 15: CUSTODY

SCM will not have physical custody of any client assets. SCM may be deemed to have custody of the assets of the SCM Funds because SCM controls its affiliate Somerset Capital Management (Cayman) Ltd which is the Manager of the SCM Funds.

It is SCM’s policy to cause the SCM Funds to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of the SCM Funds, SCM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all investors promptly after completion of the audit.

ITEM 16: INVESTMENT DISCRETION

SCM provides investment advisory services on a discretionary basis to clients. Please see **Item 4 – Advisory Business** for a description of certain limitations clients may place on SCM’s discretionary authority.

Prior to assuming full discretion in managing a client’s assets in a separate managed account, SCM enters into an investment management agreement that sets forth the scope of SCM’s discretion.

Unless otherwise instructed or directed by a discretionary client, SCM has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies and other criteria as set out below, there may be differences among clients in invested positions and securities held.

SCM’s Investment Managers submit an allocation statement to SCM’s trading desk describing the allocation of securities to (or from) client accounts for each trade/order submitted. The Investment Manager may consider the following factors, among others, in allocating securities among clients: (i) client investment guidelines; (ii) restrictions placed on a client’s portfolio by the client or by applicable law; (iii) size of the client account; (iv) existing size and average cost of the security in the client’s account; and (v) account liquidity and timing of cash flows.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when SCM determines in its discretion that a pro rata allocation is not appropriate, which may include a client’s investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client’s status as a “restricted person” under applicable regulations.

SCM maintains policies in respect of trading errors which require that, to the extent that trading errors occur, they are corrected as soon as practicable. As soon as a trading error is suspected, the CCO should be alerted immediately, who will review the facts and determine an appropriate course of action. The CCO has discretion to resolve a particular error in a manner other than specified in SCM’s procedures. SCM is responsible for its own errors and not the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by SCM. Broker-dealers are not permitted to assume responsibility for trading error losses caused by SCM.

ITEM 17: VOTING CLIENT SECURITIES

A. Policies and Procedures Relating to Authority to Vote Client Securities – To the extent SCM has been delegated proxy voting authority on behalf of its clients, it complies with its Proxy Voting Policies and Procedures (the “Procedures”) that are designed to ensure that it votes proxies with respect to client securities in the best interests of its clients. The Procedures also require that SCM identify any conflicts of interest between SCM and its clients. If a material conflict exists, SCM will determine whether voting in accordance with the voting guidelines and factors described in the Procedures is in the best interests of the client or take some other appropriate action.

SCM endeavours to select for its client accounts securities issued by companies whose management it considers to be both competent and ethical. Where SCM considers that proposals that are put forward for proxy voting by an investee company indicate that management of that company no longer meets the criteria which SCM considers appropriate for including that company’s securities in its client portfolios, it may decide to disinvest from that stock.

In the absence of specific voting guidelines mandated by a particular client, SCM will endeavour to vote proxies in the best interests of each client. This may include a decision neither to support nor oppose a recommendation by management of such companies and instead to affirmatively elect not to vote proxies (except for clients subject to ERISA, as described below). Where a portfolio manager elects to vote a proxy, the proxy shall be voted on a case-by-case basis, taking into account all relevant facts and circumstances at the time of the vote. SCM will generally apply the following guidelines in voting proxies:

- (1) For routine housekeeping proposals such as the reappointment of auditors and the approval of accounts, SCM will generally vote in favour.
- (2) For proposals which limit shareholders’ ability to replace management or directors of an issuer, or cause management to be overrepresented on the board, introduces cumulative voting, unequal voting rights and creates supermajority voting, SCM will generally vote against.

For other proposals, SCM shall determine whether a proposal is in the best interest of its clients and may take into account the following factors, among others:

- whether the proposal was recommended by management and SCM’s opinion of management;
- whether the proposal acts to entrench existing management;
- whether the proposal fairly compensates management for past and future performance; and
- whether the proposal is likely to strengthen the issuer’s business franchise and therefore benefit its shareholders over a time frame that is relevant for the SCM’s clients’ portfolios.

SCM will not abstain from voting or affirmatively decide not to vote a proxy if the client is a plan asset fund subject to the requirements of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The proxy shall be voted on a case-by-case basis, taking into account all relevant facts and circumstances at the time of the vote.

SCM will not vote proxies for any client that retains discretionary authority to vote its proxies or if it otherwise does not have discretionary authority to vote the client’s proxies.

The Proxy Voting Policy also requires that SCM identify and address any material conflicts of interest between SCM and its clients. If a material conflict exists, SCM will determine whether voting the proxy in accordance with the guidelines and factors described in the Proxy Voting Policy is in the best interest of the client or take some other appropriate action.

Clients may obtain a copy of SCM's Procedures and information about how it voted a client's proxies by contacting Robert Diggle (robert@somersetcm.com).

B. SCM has been delegated authority to vote Client securities in respect of some, but not all managed accounts.

ITEM 18: FINANCIAL INFORMATION

This Item is not applicable.