

1. **Cover Page**

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

**Samsung Asset Management Company, Ltd.**

11, Seocho-daero 74-gil, Seocho-gu  
Seoul 06620, Korea  
T: 82-2-3774-7668  
F: 82-2-3774-7645

SEC File No 801-73197  
CRD No 158319

[www.eng.samsungfund.com](http://www.eng.samsungfund.com)

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This Brochure provides information about the qualifications and business practices of Samsung Asset Management Co., Ltd. (“SAMC”). If you have any questions about the contents of this brochure, please contact Jin Whoan Yu at [jinwhoan.yu@samsung.com](mailto:jinwhoan.yu@samsung.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any foreign or state securities authority.

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

SAMC is an SEC registered investment adviser. Being a “registered investment adviser” or describing SAMC as being “registered” does not imply a certain level of skill or training. The oral and written communications SAMC provides, including this Brochure, serve as information for you to use to evaluate SAMC and should be considered in your decision whether to hire SAMC.

## **2. Material Changes**

We reported the following material changes since we filed our last Brochure on January 31, 2017:

SAMC spun off some of its investment business into two subsidiaries as of January 1, 2017: Samsung Active Asset Management Co., Ltd. (“Samsung Active”); and Samsung Hedge Asset Management Co., Ltd. (“Samsung Hedge”). Samsung Active is focusing on management of Korean equity funds. Samsung Hedge specializes in managing hedge funds.

Going forward, we will report other material changes here and provide a revised Brochure to our Clients.

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# **Samsung Asset Management Co., Ltd.**

## **4. Advisory Business**

### Firm Description and Principal Owners

Samsung Asset Management Co., Ltd. (“SAMC”) was founded in 1998 in Seoul, Korea. SAMC is an asset manager in the structure of the Samsung Group of companies (“Samsung Group companies”). SAMC provides investment advisory services on a discretionary basis to pooled investment vehicles, institutional investors, and certain companies within the Samsung Group companies, including Samsung Life Insurance Co., Ltd. and Samsung Fire & Marine Insurance Co., Ltd. Currently, SAMC does not have any non-discretionary clients.

SAMC has 292 employees, including 161 investment professionals. It is headquartered in Seoul and has wholly-owned subsidiaries in Seoul, New York, London and Hong Kong. SAMC’s major shareholder and principal owner is Samsung Life Insurance Co., Ltd. (“Samsung Life”), the largest insurer in Korea. Samsung Life owns 100% of SAMC.

### Types of Advisory Services

SAMC provides expert investment advice on Korea and Asian markets. SAMC’s investment strategy focuses on a wide array of equity and fixed income products centered in Korea and the broader Asian markets.

SAMC currently provides these investment management services:

1. manager to other investment advisers (“Advisers”) and foreign investment funds (“Foreign Funds”), including collective investment scheme which is offered to retail investors through a third party sponsor or distributor; and
2. adviser to separately managed accounts (“Managed Accounts” and together with Advisers and Foreign Funds, “Clients”) in accordance with individual Client investment objectives as specified in the applicable investment management agreement.

SAMC also provides administrative services in addition to the investment management services. These include:

1. administrative matters related to the operation of Foreign Funds and/or Managed Accounts, including coordination amongst broker dealers, custodians, transfer agents, administrators, record-keepers, accountants, legal counsel, and other pertinent service providers;
2. supervising sub-managers where retained by SAMC;
3. managing compliance oversight functions in accordance with applicable laws and regulations; and
4. maintaining or supervising the maintenance of books and records as may be required by applicable laws and regulations.

### How Services are Tailored to Fit Client Needs

SAMC directs and manages the investment strategies of its Clients in accordance with the confidential offering memorandum, prospectus, investment management agreement or other applicable constituent document in connection with a Client’s investment (collectively, Client’s “Constituent Documents”). Depending on a Client’s investment objectives, the Client may select from a number of investment

strategies offered by SAMC. Subject to SAMC's consent, a Client may impose certain reasonable investment guidelines and restrictions. Client assets may be managed in separately managed accounts or by investing in a number of pooled investment vehicles.

#### Wrap Fee Programs

SAMC does not participate in "Wrap Fee" Programs.

#### Management of Client Assets

SAMC manages \$ 208,212,101,172 in assets under management for 644 Clients.

### **5. Fees and Compensation**

#### Description

SAMC is compensated for its investment management services based on a percentage of assets under management. All such fees are subject to negotiation. Fees can vary depending on vehicle type, and, within the same vehicle, actual fees charged to a Client may vary on a case-by-case basis. Below are the general ranges of fees currently charged by strategy-type.

**Equity Strategies.** SAMC generally charges Clients a management fee based on total Client assets under management in the range of 0.5% to 1.0% per annum.

**Fixed Income Strategies.** SAMC generally charges Clients a management fee based on total Client assets under management in the range of 0.2% to 0.5% per annum.

#### Fee Billing

Subject to negotiation, fees are calculated based on a percentage of the market value of a Client's assets under management or historical cost (or book value) in certain circumstances, and are payable in agreed terms. Fee payment due dates are negotiable; generally, fees are due monthly, quarterly or yearly in arrears. Each Client's fees are negotiable and fall either within or outside such range, depending upon a variety of factors including the type of Client, the particular strategy being employed, the size of the account, SAMC's relationship with the Client and the amount or type of services required.

The specific manner in which fees are charged by SAMC is established in the Client's Constituent Documents or other written agreement with SAMC. Generally, SAMC will invoice its fee in arrears each agreed period. Clients may elect to be billed directly for fees or to authorize SAMC to directly debit fees from Client accounts. If a Client elects to authorize SAMC to directly debit fees from an account, the Client should review the billing invoice to verify the fee calculation and the corresponding debit as reflected in their account statement provided by their custodian.

#### Other fees and Expenses

SAMC's fees are exclusive of brokerage commission, transaction fees and other related costs and expenses which are incurred directly by the Client. Clients may incur certain charges imposed by custodians, brokers, and other third party service providers. Such fees may include, but are not limited to, custodian fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, management fees and other fees and taxes on brokerage accounts and securities transactions. Where SAMC invests in or otherwise recommends an investment in a mutual fund, exchange traded fund or similar collective investment vehicle, such fund may also charge internal

management fees and expenses, which are in addition to SAMC's fees, and are disclosed in the fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to SAMC's fee, and SAMC does not receive any portion of these commissions, fees or charges.

Item 12 describes the factors that SAMC considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of compensation (e.g., commission rates).

SAMC will exercise discretion and invest Client assets in SAMC managed funds. This is a conflict of interest, and SAMC will only make such an investment if it is established that this would be suitable for the Client and where there is a reasonable basis for the action.

#### Advanced Payment: Termination of Services

SAMC's fees are not payable in advance. Investment management agreements are terminable by either party as negotiated. In the case of any termination, management fees will be determined on a pro rata basis through the date of termination.

#### Sales-Based Compensation

Neither SAMC nor SAMC's supervised persons receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

The investment management agreements between SAMC's Clients and SAMC as well as the Client's Constituent Documents may provide that SAMC is entitled to receive an incentive fee, or performance-based fee, calculated as a percentage of the return on the Client's investments above a certain minimum, or otherwise based on performance related criteria. Any such performance-based fee is in addition to the asset-based management fee paid by the Client as set forth in Item 5 above. Performance-based fee are negotiated on a case by case basis and set forth in detail in the relevant investment management agreement or Constituent Document. Performance-based fees vary depending on a variety of factors including a share of capital gains on or capital appreciation of the assets of a Client.

SAMC's receipt of performance-based fees may incentivize SAMC to make investments that are riskier or more speculative than it would make in the absence of performance-based fees. With respect to certain private Foreign Funds that SAMC manages, the performance based fee may not be the product of arm's length negotiations.

SAMC manages Client accounts that are charged a fixed asset-based fee as well as a performance-based fee. SAMC also manages Client accounts that are only charged a fixed asset-based fee. This arrangement is commonly referred to as "side-by-side" management.

While a performance-based fee serves to align SAMC's interests with those of its Clients, it results in a conflict of interest. Such conflict arises, for example, because SAMC may be motivated to devote more resources or allocate more favorable investment opportunities to Client accounts that offer SAMC the opportunity to collect a performance-based fee.

In addition, SAMC does not charge the same fees or fee-types to all Clients. As a result, SAMC has a conflict of interest between its interest in treating all Client accounts alike and its interest in

favoring certain Clients over others because such Clients may pay more in fees. In rendering trading advice to its Clients, SAMC will not knowingly or deliberately favor any Client account over any other Client account.

SAMC applies a rigorous and consistent approach to investment management across all Client assets regardless of the particular Client's fee structure. SAMC has adopted a formal allocation policy that mitigates the risk that investment opportunities will be allocated to Client accounts based, even in part, on fee structure. In addition, all Client assets under management receive the same detailed attention. Compliance with this is monitored by SAMC's Chief Compliance Officer and senior management.

## **7. Types of Clients**

SAMC provides investment management and advisory services to Clients including, but not limited to, banking or thrift institutions, pension plans, corporations, pooled investment vehicles, other investment advisers and insurance companies. As of the date of this Brochure, insurance companies accounted for 64.8% of SAMC's discretionary assets under management, pooled investment vehicles accounted for 29.3%, and others accounted for 5.8%.

SAMC does not have any specific predetermined requirements for opening or maintaining Client accounts.

All Clients are subject to applicable suitability requirements.

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

### Method of Analysis

SAMC employs a top-down and bottom-up approach in its investment analysis. Investment teams consisting of portfolios managers and research analysts analyze a number of securities for consideration to include in an investment portfolio. The investment team continually monitors investments and will add or reduce exposure to certain securities when deemed appropriate.

The investments considerations include, but are not limited to, industry sectors, company market conditions, company management, business strategy, competitive advantages and financial condition. In addition, other factors such as the company's market capitalization, liquidity and dividend yield are considered. Investment models include, but are not limited to, earnings multiples, cash flow, leverage, sales, costs and other variables.

SAMC's portfolio construction process diversifies holdings across sectors, market capitalization, weightings and other variables in order to mitigate risk.

### Equity Investment

SAMC has transferred to Samsung Active the management of certain equity funds that pursue more active investment strategies (generally aiming to profits higher than stock index or benchmark objectives), but retained the management of the equity funds that pursue passive investment strategy (generally aiming to make consistent returns aligned with stock index).

Model Portfolio Construction: Using SAMC's proprietary Samsung Earnings Model, investment teams identify companies with higher upside potentials and based on earnings momentum and valuation.

*Strategic Portfolio Construction:* Investment teams identify momentum shifts by using SAMC's proprietary earnings and investment grade tracking system, and utilize SAMC's portfolio management system to construct a Strategic Portfolio.

*Portfolio Management:* Investment teams construct actual portfolios based on the Strategic Portfolio reflecting the Client's risk profile and investment horizon.

#### Fixed Income Investment

*Research:* Research analysts forecast the general economic outlook and yield curve, and generate relative value analysis of the yield curve and relative value analysis of specific sectors and credit.

*Portfolio Construction:* Investment teams design an investment style and strategy in line with Client objectives.

*Monitoring Feedback:* Investment teams continually reappraise the investment style and strategy for optimization through regular base performance attribution analysis. Investment teams may also use quantitative performance analytics such as Lehman Brothers Attribution Model.

#### Material Risks Associated with Investment Strategies

The material risks for SAMC's significant methods of analysis and investment strategies lie in the particular risks of the securities in which SAMC's Clients invest as set forth below. SAMC cannot guarantee that it will achieve the investment objectives of its Clients.

#### Material Risks of Particular Security Types

SAMC invests in various types of securities and non-security assets to achieve the investment objectives of its Clients. Below is a non-exhaustive list of risks that are associated with SAMC's investments.

*Foreign Investment Generally:* Investments made outside of the U.S. and the economies of non- U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as:

- Growth of gross domestic product;
- Rate of inflation;
- Currency depreciation;
- Asset reinvestment;
- Resource self-sufficiency; and
- Balance of payments position.

Further, certain non-U.S. economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

*Emerging Markets Risk:* The risks of foreign investments are typically greater in less developed countries, which are sometimes referred to as emerging markets. For example, political and economic structures in these countries may be changing rapidly, which can cause instability and greater risk of loss. These countries are also more likely to experience higher levels of inflation,



deflation or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative.

*Geographic Concentration Risk:* A small number of companies and industries may represent a large portion of the market in a particular country or region, and these companies and industries can be sensitive to adverse social, political, economic or regulatory developments in that country or region.

*Equity Securities Risk; Stock Market Volatility:* Equity securities include common and preferred stocks. Stock markets are volatile. The value of equity securities is affected by changes in a company's financial condition and overall market and economic conditions. Preferred stock may be subject to optional or mandatory redemption provisions.

*Foreign Securities Risk:* Foreign investments may be subject to different and, in some cases, less stringent regulatory and disclosure standards than U.S. investments. Also, political concerns, fluctuations in foreign currencies and differences in taxation, trading, settlement, custodial and other operational practices may result in foreign investments being more volatile and less liquid than U.S. investments. Because foreign investments are typically issued and traded in foreign currencies, their values may be significantly affected by changes in exchange rates between foreign currencies and the U.S. dollar. Foreign regulatory and fiscal policies may affect the ability to trade securities across markets. Foreign markets may also differ widely in trading and execution capabilities, liquidity and expenses, including brokerage and transaction costs. Brokerage and transaction costs are generally higher for foreign securities than for U.S. investments.

*Inflation Risk:* Inflation risk is the risk that the present value of assets or income from investments will be less in the future as inflation decreases the value of money. The present value of a Fund's assets and distributions can decline as inflation increases.

*Large-Cap Securities Risk:* Securities issued by large-cap companies tend to be less volatile than securities issued by smaller companies. However, larger companies may not be able to attain the high growth rates of successful smaller companies, especially during strong economic periods, and may be unable to respond as quickly to competitive challenges.

*Non-Diversification Risk:* A Client portfolio may not be diversified. Because SAMC may in securities of a smaller number of issuers, such portfolios may be more exposed to the risks associated with and developments affecting an individual issuer than a portfolio that invests more widely.

*Selection Risk:* The securities selected by SAMC may underperform the market or other securities selected by other advisers or managers.

*Small and Mid-Cap Securities Risk:* Securities of small and mid-sized companies may be more volatile and subject to greater risk than securities of larger companies. Small and mid-cap companies may have limited financial resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than the securities of larger companies, which could lead to higher transaction costs.

*Illiquidity of Investments:* Certain investments made by SAMC may be long-term in nature and may require several years before they are suitable for sale. Realization of value from such investments may be difficult in the short-term, or may have to be made at a substantial discount compared to other freely tradable investments.

## 9. Disciplinary Information

In November 2013, the Korean Financial Services Commission imposed a fine of KRW 50,000,000 on SAMC, finding that SAMC violated the regulation banning collective investment fund managers from purchasing securities underwritten by an affiliated underwriter by purchasing commercial papers underwritten by its affiliated underwriter for 13 collective investment funds it managed.

## 10. Other Financial Industry Activities and Affiliations

SAMC has material relationships with other Samsung Group companies. SAMC manages assets for, among other Samsung Group companies, Samsung Life Insurance Co., Ltd. and Samsung Fire & Marine Insurance Co., Ltd., both insurance companies. In addition, SAMC may affect Clients' transactions through its related person broker-dealers: Samsung Securities Co., Ltd. and Samsung Securities (America), Inc. Further, Samsung Active, Samsung Hedge, Samsung Asset Management (Hong Kong), Ltd., Samsung Asset Management (New York), Inc. and Samsung Asset Management (London) Ltd. may from time to time provide investment advisory services to SAMC.

Samsung Life Insurance Co., Ltd.	The largest insurer in Korea, offering a wide range of life and health insurance, annuity products and services to individual customers. Also, serving corporate clients, the firm provides pension plans and group life insurance products.
Samsung Fire & Marine Insurance Co., Ltd.	The largest non-life insurance company in Korea. Its principal products include automobile, long-term and commercial insurance, enterprise risk management, and annuities.
Samsung Securities Co., Ltd.	Full-service Korean securities firm licensed with the Korean Financial Services Commission with a focus on wealth management and investment banking. It provides various financial services including brokerage, asset management, investment funds and corporate finance.
Samsung Securities (America), Inc.	An SEC registered broker-dealer and a member of FINRA. It is a wholly-owned subsidiary of Samsung Securities Co., Ltd.
Samsung Active Asset Management Co., Ltd.	A wholly-owned subsidiary of SAMC, focusing on management of Korean equity funds that pursue active investment strategies (generally aiming to profits higher than stock index or benchmark objectives). It provides investment advisory services to SAMC.

Samsung Hedge Asset Management Co., Ltd.	A wholly-owned subsidiary of SAMC and specializes in managing hedge funds. It provides investment advisory services to SAMC.
Samsung Asset Management (Hong Kong), Ltd.	An investment adviser registered with the SEC. It is a wholly-owned subsidiary of SAMC and based in Hong Kong. It provides investment advisory services to SAMC.
Samsung Asset Management (New York), Inc.	An investment adviser registered with the SEC. It is a wholly-owned subsidiary of SAMC and based in New York. It provides investment advisory services to SAMC.
Samsung Asset Management (London) Ltd.	An investment adviser based in London, UK. It is a wholly-owned subsidiary of SAMC. It provides investment advisory services to SAMC.

For the transactions with each Samsung Group company (“Company”), we are guided by following internal policies:

1. In the event the Company shall be the investment target company, the Company shall comply with such limits and restrictions as required by the relevant laws, and have objective and reasonable bases in light of its duty of care to the investor;
2. In the event the Company shall be the counterparty in relation to other businesses, there shall be objective and appropriate bases of that the terms of the agreement with such Company are not more favorable or unfavorable than those of the agreement with a third party.

See Item 12, “Brokerage Practices,” for information with respect to the controls SAMC uses in selecting investment brokers.

As discussed above, SAMC also manages assets for Clients other than the Company. SAMC is guided by its internal policies and procedures in allocating recommendations among Clients. Allocations are made on the basis of adherence to a Client’s investment objectives and for suitability and a reasonable basis for recommendations.

SAMC uses sub-advisers, including other Samsung Group companies, in the management of Foreign Funds to provide investment advisory services to all or a portion of the portfolios. The use of other Samsung Group companies as sub-advisers to SAMC managed Foreign Funds presents conflicts of interest, even if the sub-adviser is not a “related person” to SAMC.

SAMC has established policies and procedures to supervise sub-advisers and manage the conflicts of interest that arise. SAMC regularly monitors the performance of the portions of portfolios managed by sub-advisers, and may terminate any sub-advisers as it deems appropriate and in the best interests of Clients. Moreover, SAMC generally limits the discretionary authority of its sub-advisers through the investment guidelines included in its written sub-management agreement.

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

### Summary

SAMC has adopted a Code of Ethics that sets forth its high standard of business and ethical conduct and its fiduciary duty to Clients. The Code of Ethics includes, among other items, provisions relating to personal securities transactions, restrictions on the acceptance of gifts and entertainment, employee training programs, confidentiality of Client information, prohibition on insider trading and prohibition of spreading rumors.

The following is a summary of pertinent provisions of the Code of Ethics:

- Employees must comply with the relevant securities laws, certify that they have read and understand the Code of Ethics and report any violations to the Chief Compliance Officer;
- The Code of Ethics sets forth limitations on employees receiving gifts and entertainment from third-parties. Employees may not solicit gifts or entertainment from any person or firm with which SAMC conducts or is likely to conduct business;
- Employees are prohibited from trading either in their personal accounts or on behalf of Client accounts on the basis of material non-public information; and
- Employees must obtain consent of the Chief Compliance Officer for any outside business activities and may not use their position for a personal benefit.

Employees who violate the Code of Ethics or SAMC's Compliance Manual are subject to disciplinary action including, but are not limited to, written warnings, fines and termination of employment. All supervised persons at SAMC must acknowledge the terms of the Code of Ethics in writing at least annually.

SAMC will provide a copy of its Code of Ethics to any Client or prospective Client upon request.

### Conflicts of Interest

From time-to-time, SAMC's supervised persons may transact in or hold the same securities as Clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of SAMC do not materially interfere with: (i) making decisions in the best interest of SAMC's Clients; and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt or certain transactions as *de minimis*, based upon a determination that these would not materially interfere with the best interest of Clients. In addition, the Code requires pre-clearance of certain transactions and restricts trading in close proximity to Client trading activity (blackout periods). Furthermore, to prevent supervised persons from inappropriately profiting from effecting personal securities transactions and to prevent the appearance of impropriety, SAMC imposes a holding period. However, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Pre-clearance, blackout periods and holding periods are designed to prevent conflicts of interest.

Employee trading is monitored by the Chief Compliance Officer and the compliance department to reasonably detect and prevent breaches of the Code of Ethics with respect to employee trading activity.

There are Chinese walls between SAMC and each of SAMC's wholly-owned subsidiaries. All SAMC's wholly-owned subsidiaries are operationally independent, including separate accounting, investment management and trading systems.

From time-to-time, certain employee accounts and certain Samsung Group company accounts that are managed by SAMC may trade in the same securities as are held in Client accounts. Such trading cannot take place at the same time as Client transactions. This is a conflict of interest. To address this, Samsung Group company accounts cannot trade before or with Clients and are subject to controls to prevent the misuse of confidential client information. We subject employee accounts to our Code of Ethics requirements and do not permit front running or trading with clients. We monitor all such trading and will act to address any violations of this.

SAMC may affect Clients' transactions through its related person broker-dealers: Samsung Securities Co., Ltd, and Samsung Securities (America), Inc. Each such transaction must comply with Brokerage Practices as described in Item 12 below.

## **12. Brokerage Practices**

### **Broker Selection**

In selecting broker-dealers to effect Client transactions, SAMC will make allocations to brokers on the basis of best execution. The following factors will be considered when seeking best execution:

- commissions and similar charges;
- quality of execution services and trading expertise;
- clearance, settlement and custodial services;
- research services;
- financial stability;
- reputation;
- integrity;
- facilities;
- reliability in keeping records.

SAMC does not always choose the lowest available commission rate or the best price for the security being transacted depending upon the range of factors considered as set forth above. Accordingly, the commission rate and other fees charged by brokers selected by SAMC may be higher than those charged by other broker-dealers.

### **Research and Other Soft Dollar Benefits**

As is customary in the industry, brokers may provide research or services to investment advisers paid through commissions and other transaction costs, commonly referred to as "soft dollars" (i.e., consideration other than cash in exchange for services).

SAMC may, from time to time, receive research services including analyses and reports, from brokers and securities firms. SAMC does not receive any other benefits, including, but not limited to, benefits in the form of brokerage services, non-research products, software or systems. These research services include information on the economy, industries, groups of securities, individual companies, statistical information, political developments, legal developments affecting portfolio securities, technical market action, and credit analysis.

Practically, it is impossible for SAMC's research staff to generate all the research and information brokers and securities firms presently provide. SAMC receives research services primarily as written reports, information databases, and personal meetings with security analysts. Research services also take the form of meetings arranged with corporate and industry spokespersons, economists, academicians and government representatives. The research services brokers and securities firms provide are supplemental to SAMC's own research efforts and, when utilized, are subject to SAMC's internal analysis before incorporation into its investment process. SAMC pays directly for certain research services generated by external sources, including brokers and securities firms. SAMC's research expenses could materially increase if it attempted to generate a substantial portion of the additional research currently provided by brokers and securities firms. All non-research services or products utilized by SAMC are paid for directly by SAMC.

SAMC has a brokerage allocation policy embodying the concepts of Section 28(e) of the U.S. Securities Exchange Act of 1934 ("Section 28(e)"). This permits an investment adviser to cause an account to pay commission rates in excess of another broker's rates for effecting the same transaction, if the adviser determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided. SAMC uses the research brokers provide for the benefit of all institutional and retail accounts not just for the account that generated the commissions. SAMC has arrangements whereby it obtains research services in addition to brokerage services from brokers in exchange for directing client trades to these brokers. These arrangements are known as "soft dollar" arrangements and are common in the investment advisory business. The research services these soft dollar arrangements provide assist SAMC in investment decision making for its client accounts. The research services are proprietary (created and provided by the broker) or third party (created by a third party but provided to SAMC by the broker) and include:

- economic research;
- industry and company research;
- interest rate and bond research;
- technical research;
- commodity research;
- portfolio management research;
- stock and bond quote services; and
- financial news and other publications.

In accordance with Section 28(e), SAMC ensures that all soft dollar arrangements pay for bona fide research.

#### Brokerage for Client Referrals

SAMC does not consider client referrals when selecting brokers for Client transactions. However, from time-to-time, brokers and their employees may refer potential Clients to SAMC. We do not provide compensation for this. It is SAMC's policy to select brokers based solely on best execution and not to direct transactions and commissions to brokers for such referrals. However, SAMC, at its discretion, may effect transactions through these brokers provided they are able to provide best execution. See Item 14 below for additional information with respect to payment for Client referrals.

### Directed Brokerage

SAMC does not recommend to, request or require Clients to direct brokerage. With SAMC's consent, Clients may direct SAMC to effect some or all of their transactions with certain broker. In the event that SAMC agrees to accept the Client's directed brokerage instructions, the Client should be aware that SAMC may not be able to obtain best execution for their transactions and may receive less favorable prices and pay higher commission rates or incur higher transactions costs for execution these transactions. Generally, directed trades will be executed subsequent to the execution of non-directed trades which may result in the Client realizing a less favorable (or more favorable) execution price. However, when feasible and at the discretion of SAMC, SAMC may aggregate directed trades with non-directed trades for execution and "step out" to the directed broker the Client's trades to that broker. In such case, Clients that provide directed brokerage instructions will receive the same average price as the other Clients in the aggregation.

### Aggregation of Orders

SAMC may simultaneously aggregate orders for more than one Client account managed by SAMC or with accounts of the Samsung Group companies. In accounting for such aggregated order, price, commission and other expenses shall be averaged on a per transaction basis.

SAMC has a fiduciary obligation to use its best efforts to ensure that no Client is treated unfairly in relation to any other Client in the allocation of securities or investment opportunities or in the order in which transactions are executed. SAMC will seek to allocate orders and investment opportunities among Clients in a manner that it believes is equitable and in the best interests of all of its Clients. While such allocations may be *pro rata* among participating Clients, they will not necessarily be so where SAMC's strategic allocation policies dictate a different result. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. In dealing on its clients behalf, SAMC will at all times strive to obtain best execution of each trade.

## **13. Review of Accounts**

Client accounts are reviewed on an ongoing basis. Review frequency is determined on a case-by-case basis by the relevant portfolio management team, risk management team, and compliance team to ensure consistency with SAMC's investment processes and conformity with Client objectives and guidelines. Once in a year is a minimum requirement and review period are determined by Clients' needs and requests. Some reviews may include an evaluation of account performance relative to certain agreed upon benchmarks or objectives, while others may include an analysis of current positions and/or asset mix. Account reviews may result in adjustments to a Client's portfolio.

In addition to the overall review process, risk management and compliance personnel are specifically responsible for ensuring the following timely reviews are conducted as follows.

### Daily basis

- Applicable laws and regulations,
- Client Constituent Document restrictions on investment (if any)
- Conflicts
- Client-directed restrictions on investment
- Market conditions
- Performance deviation

### Monthly Basis

- Monthly broker allocation limitations
- Performance deviation
- “Style drift” and strategy conformance

SAMC provides Clients with quarterly and yearly account statements that include portfolio holdings, transaction information and performance information. SAMC provides Clients with written reports from time to time, which may include, among other things, general information about economic conditions, capital markets conditions and portfolio outlook.

In addition, the following reviews shall be conducted in respect of the Client accounts:

#### Administrator Reconciliation, if applicable

Each Client’s administrator may perform a reconciliation of cash, investor activity, and investment as part of its independent determination of the net asset value for such Client account.

#### Custodian Reconciliation, if applicable

Each Client’s custodian may review and reconcile the Client’s accounts on a monthly basis. See Item 15 for additional information with respect to custody of assets.

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

SAMC has entered into distribution and/or placement agent agreements for specific geographical regions and products. In a typical distribution or placement arrangement, SAMC agrees to pay a third-party solicitor for referring Clients or Foreign Fund investors. SAMC does not have in place any solicitor agreements for U.S. Clients or U.S. investors in funds.

In most circumstances, third-party solicitors will receive a portion of the asset-based fee or performance-based paid to SAMC (although other payment arrangements may exist). A prospective Foreign Fund investor or Client solicited by a third party will be informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be paid by SAMC and the investor or Client will not be subject to any increased or additional direct fees or charges. Non-U.S. third-party solicitors may be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

### **15. Custody**

SAMC does not physically hold client assets. SAMC’s Clients’ funds and securities are held with a third party, independent custodian (e.g., bank, broker-dealer or other qualified custodian). Clients will typically receive statements from their custodian on monthly, quarterly, or yearly basis. Clients should carefully review such statements and compare such official custodial records to the account statements that SAMC may provide to Clients. SAMC’s internally generated statements may vary from custodian statements based on accounting procedures, reporting dates, or calculation methodologies of certain securities.



## **16. Investment Discretion**

### Discretionary Management

SAMC has discretionary authority to determine, without obtaining specific Client consent, securities to be bought or sold, the amount of securities to be bought or sold, the broker to be used, and the commission rates paid. Such discretionary authority may include the authority to use sub-advisers to manage all or a portion of a Client's portfolio. Any limitations on authority are included in the pertinent investment management agreement or Client Constituent Document. Authority to trade securities may also be limited by certain laws or regulations that require diversification of investment and favor the holding of investments once made.

SAMC receives discretionary authority from the Client at the outset of the relationship. Subject to SAMC's consent, Clients may provide specific investment restrictions and guidelines (e.g., social restrictions or limitations on security exposures). In all cases, however, SAMC exercises such investment discretion in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining amounts, SAMC seeks to comply with the investment policies, limitations and restrictions of the Clients for which it advises.

### Non-Discretionary Management

SAMC does not have any non-discretionary clients.

## **17. Voting Client Securities**

SAMC votes proxies. In voting proxies, SAMC is guided by general fiduciary principles. SAMC's goal is to act prudently, solely in the best interests of its Clients and consistent with efforts to achieve a Client's stated objectives, including maximizing portfolio value. Where SAMC has discretionary authority over the securities held by its Clients, it is generally viewed as having proxy voting authority to the extent permitted by applicable laws and regulations.<sup>1</sup> In each such case, SAMC has a duty to cast votes in the best interest of its Clients and not subrogate Client interests to its own interests. SAMC has adopted written proxy voting policies and procedures, which are designed to ensure that SAMC votes proxies in the best interest of its Clients and addresses how it will address any conflict of interest that may arise when voting proxies.

The general policy of SAMC is to vote proxy proposals, amendments, consents or resolutions relating to Client securities in a prudent manner that serves the best interests of its Clients, as determined by SAMC in its discretion and taking into account relevant factors, including, but not limited to: (1) the impact on the value of the securities; (2) the anticipated costs and benefits associated with the proposal; (3) the effect on liquidity; and (4) customary industry and business practices.

In addition, SAMC follows procedures that are designed to address conflicts of interest that arise between its own interests and its Clients' interests. If a conflict of interest arises, appropriate SAMC personnel will endeavor to agree upon a method to resolve such conflict before voting proxies affected by the conflict or fail to so vote.

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<sup>1</sup> Note, Korean law generally prohibits the exercise of proxy voting authority for Managed Accounts.

SAMC will provide a copy of its guidelines for exercising voting rights to any Client or prospective Client upon request to Seongmook Shin, Chief Compliance Officer.

#### **18. Financial Information**

SAMC does not charge or solicit prepayment of \$1,200 in fees per Client six or more months in advance.

SAMC is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitment to its Clients.

SAMC has never been the subject of a bankruptcy proceeding.