

First State Investment Management (UK) Limited (FSIM)

Form ADV Part 2A - Brochure

A Guide to Our Services November 2018

This brochure provides information about the qualifications and business practices of First State Investment Management (UK) Limited (FSIM). If you have any questions about the contents of this brochure, please contact us on +44 (0)131 473 2200 or enquiries@firststate.co.uk. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about First State Investment Management (UK) Limited is also available on the SEC's website www.adviserinfo.sec.gov.

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First State Investment Management (UK) Limited (FSIM) is registered as an investment adviser with the SEC. Please note, registration as an investment adviser with the SEC does not imply a certain level of skill or training.

2. Material changes

On 26 March 2018, Stewart Investors decided to close the Mahout Asia Pacific Leaders Fund and, following consultation with investors, the assets of the fund were returned to investors on and shortly after 2 April 2018.

The change referenced above is the only material change we have identified since the last update of this brochure, which was carried out in September 2017.

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4. Advisory business

First State Investment Management (UK) Limited (FSIM) was incorporated in 1970. FSIM is part of Colonial First State Global Asset Management ("CFSGAM"), the consolidated asset management business of the Commonwealth Bank of Australia. FSIM is ultimately 100% owned by the Commonwealth Bank of Australia which is listed on the Australian Stock Exchange and is one of Australia's largest financial institutions.

FSIM is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. We have historically specialised in investing in Asia Pacific and Global Emerging markets but continue to expand our range of investment strategies (which are covered in Section 8 of this document).

Where we provide discretionary investment management services through a separate account we agree the investment objectives with the client and they may specify investment restrictions which would be set out in their investment management agreement with FSIM. In addition we may tailor the fees charged to clients and the type of reporting they receive.

As of 30 June 2018 FSIM had a total of \$26.4 billion assets under management. This includes assets where we have sub-delegated discretion to an affiliate and assets where an affiliated manager has delegated authority to FSIM. Therefore, certain of the assets will also be included in the AuM reported by our affiliated managers.

FSIM does not participate in wrap fee programs.

5. Fees and compensation

Fees and compensation are negotiated on a case-by-case basis with our clients. We either charge an advisory fee based on a percentage of funds under management or clients may choose to pay a fee with an element of percentage of funds under management and an element of performance based advisory fee.

Clients pay advisory fees quarterly in arrears and performance based fees are normally paid annually in arrears.

We will normally invoice clients directly for the fees they have incurred. We will not deduct fees directly from client accounts unless clients have explicitly instructed us to do so. This may be done after receipt and review of the invoice or fee calculation.

In addition to FSIM's advisory fee, clients incur other fees and expenses charged by third parties in relation to their accounts, including custody fees, brokerage, foreign exchanges fees and other transaction costs.

Account termination provisions are specified in the individual client agreements; however, generally the client may terminate the agreement by providing us with written notice at our principal place of business.

6. Performance based fees and side-by-side management

As described in the Fees and Compensation section, clients may choose to pay a fee containing an element of a performance based advisory fee.

Where FSIM outperforms the relevant benchmark or hurdle we will earn a higher fee from clients who pay a performance based fee.

We have clear and equitable trade allocation procedures to ensure fair treatment of all clients and avoid potential conflicts of interest for clients who elect to have different fee structures.

7. Types of clients

We provide investment advice to institutional investors, including:

- Pension plans
- Investment companies
- Endowments
- State and Municipal organisations
- Charitable organisations

FSIM typically requires a minimum account size of US\$50 million for a separate account. Clients are generally 'qualified purchasers' as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

8. Methods of analysis, investment strategies and risk of loss

Our approach to investing

Our approach to investing is driven by a focus on understanding our clients' investment needs, applying the skills of our specialist investment teams, and acting with integrity to meet or exceed our clients' expectations.

We aim to be a global leader in the markets in which we operate. We also seek to provide the best possible investment solutions for our clients.

The scale of our business, and the global reach of our resources, means we have specialist investment teams that set their own style, which we believe promotes commitment and intellectual engagement.

We take the stewardship of our clients' assets seriously. We believe in clearly understanding each client's appetite for risk and returns over their chosen timeframe, and manage their investments to the highest standard of service, accountability and transparency.

We believe that being a responsible investor means incorporating the consideration of environmental, social and corporate governance (ESG) factors by embedding the United Nations Principles for Responsible Investment (PRI) into our overall business strategy. ESG considerations are an integral part of the investment process employed by all of our investment teams.

In a client-focused business, we recognise that dedicated, talented and passionate people are the key to delivering investment success for our clients. It is only through our people, and the consistent, repeatable and robust business practices we have developed, that we are able to deliver successful outcomes for our investors.

All of our Analysts and Portfolio Managers have a high level of performance-related incentives which are directly linked to client outcomes. Performance of our funds against relevant benchmarks and competitors forms the major component of the performance measurement. The head of each asset class is also evaluated based upon the overall business success of their asset class. These measures ensure that the interests of our investment teams and clients remain firmly aligned.

Key strategies

Asia Pacific ex-Japan equities

Stewart Investors management team is one of the most stable and well-known in the industry, and includes individuals based in both the UK and the Asian region. We employ a rigorous, bottom-up research process which combines regular company visits with extensive fundamental analysis.

Our investment research aims to identify the highest quality companies with sustainable long-term earnings per share growth prospects and focuses on those stocks where we believe the market has incorrectly priced future growth potential.

We see a dynamic long-term picture emerging for Asia, including positive demographic trends in countries such as India which should contribute to a major expansion of consumer markets. Another encouraging factor is the entrepreneurial culture which is firmly entrenched across the region. We continue to find many high-quality companies with excellent management and strong business franchises focused on shareholder value.

Emerging markets equities

We have been managing global emerging markets equities since 1992 through both pooled and segregated portfolios.

Our investment management team has strong credentials in this asset class as each team member has first-hand knowledge of specific regions throughout the emerging markets. Our extensive contact with companies allows us to thoroughly assess company managements before making any stock decisions.

As with our other funds, we maintain a conservative style in what can be a volatile asset class, focusing on capital preservation as well as growth. We aim to produce consistent long-term outperformance, seeking out opportunities that allow us to invest in the highest quality companies in the emerging markets universe.

Worldwide equities

Our investment philosophy is founded on responsible stewardship. Most importantly we invest our clients' monies as if they were our own. We believe investment ought to have a social purpose, this being the efficient allocation of clients' assets to high quality companies at sensible prices.

Our approach has a number of key features:

- We focus as much on capital preservation as on capital growth and regard ourselves as 'absolute return mind-set' investors. We specifically define risk as losing clients' money;
- This is reinforced by our indifference to benchmark composition and also to short-term relative index and peer group performance. We are not required to own any country, sector or individual stock;
- We only invest where we perceive managements operate businesses effectively and in the interests of all stakeholders. Companies which do not look after their customers, employees, suppliers and the larger community are unlikely to be rewarding long-term investments; and
- We are long-term investors and have invested in some companies for over twenty years. This entails responsibilities as well as normal shareholders' rights and we engage extensively on environmental, labour and various governance issues.

Frontiers markets equities

Our investment approach is to start with a blank piece of paper and not a benchmark index when building portfolios. We do not target tracking error relative to any benchmark index and instead define risk as that of losing money in real terms in the medium term. We invest with a three to five year time horizon and aligns our remuneration structures with this time horizon.

We try to identify the right type of companies and only then considers any macroeconomic factors. We seek to invest in high quality companies defined as being owned and run by people who we believe have been conscientious stewards of investors' money. We also prefer companies with pricing power and more stable cash flows to cyclical price takers.

We aim not to overpay for quality companies. We focus as much on capital preservation (what can go wrong) as capital gain (what can go right) and tend to outperform the markets more often when markets fall than when they rise.

We do not believe that markets are efficient or that there is any useful trade-off between risk and return in the long run. We spend most of our time meeting managers and owners of companies

using these meetings to explore their values as well as their business franchises. Based on these principles, we will select our 'best ideas' from these frontier markets.

Worldwide Sustainability

We believe our job is to entrust our clients' capital to good quality companies with strong management teams and sound long-term growth prospects. All the Stewart Investors' strategies strive to integrate environmental, social and governance considerations into every investment decision. Our sustainability strategies take this one step further by focusing on long-term sustainability themes as a key driver of the investment process:

- We aim to generate attractive, long-term, risk-adjusted returns for our clients by investing in the shares of those companies which are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate;
- We seek to invest only in good quality companies. Quality is measured through the lenses of quality of management, financials and the franchise. By analysing the sustainability performance and positioning of companies we can better measure less tangible elements of quality and identify hidden risks;
- We are long-term investors. We strive to make investment decisions with a minimum five-year time horizon; and
- We have an absolute return mind-set. That is, we define risk as losing money for our clients, rather than in terms of deviation from any benchmark Index.

Emerging markets debt

We believe that enhanced risk-adjusted returns in emerging debt markets are driven by forward-looking assessments of market conditions based on sound experience and skilled country selection.

Inefficiencies in emerging debt markets arise due to structural imbalances between the size of the investor base and the size of the market-making community, behavioral biases and competing investor agendas/ investment horizons. This results in spread and currency distortions that often do not reflect the true political, economic and repayment risk of countries. This offers opportunities for skilled investors to outperform the market on a risk-adjusted basis.

Through analysis and judgment based on decades of collective experience, we carefully assess the market environment and set the most appropriate risk profile for our portfolios in light of prevailing market sentiment. Similarly, using skilled relative value analysis we identify country mispricing – when consensus views are either too bullish or too bearish on a given country relative to another – and benefit through the appropriate positioning of our portfolios.

Multi-Asset Solutions

In collaboration with our clients, the Multi-Asset Solutions (MAS) team designs and implements tailored risk-managed multi-asset portfolios. We help our clients achieve their goals through our expertise in the fields of asset allocation, portfolio management, asset/liability management, portfolio construction and risk management.

Our investment philosophy is based on the following beliefs:

- Fundamental valuations will ultimately assert themselves and be the most important driver of long term returns;
- Markets are not completely efficient in the short term due to investor behaviour. This provides opportunities to protect and enhance our clients' returns; and
- Investment decisions are taken with respect to the portfolio's overall objective, recognising the complex linkages between short and long term.

Our investment process can deliver on objectives and consistently add value for clients via the following:

- Designing the asset allocation with respect to economic expectations and responsively adjusting based on market developments;
- Systematically exploiting market inefficiencies by focusing on five key fundamental drivers of returns; value, momentum, carry, macro and market structure ; and
- Using disciplined judgement to blend quantitative underpinnings with qualitative expertise across a broad opportunity set.

General investment risk

Investing in securities involves a risk of loss that clients should be prepared to bear. Investments are focused on securities of issuers that we believe are undervalued or inexpensive relative to other investments. These types of securities present risks in addition to the general risk of investing in equity and bond securities. These securities generally are selected on the basis of an issuer's fundamentals relative to current market price and are subject to the risk of misestimating certain fundamental factors. In addition, during certain time periods market dynamics may favour securities of issuers that do not display strong fundamentals relative to market price based upon positive price momentum and other factors. Disciplined adherence to our investment approach during such periods may result in significant underperformance relative to overall market indices and other managed investments that pursue growth style investments and/or flexible style mandates.

Foreign investment risk

Maintaining assets in foreign countries generally involves higher costs and greater risks than those associated with similar investments in the UK or clients' home jurisdictions, particularly in the case of assets maintained in emerging countries. Investments in securities of issuers located in emerging markets can be more speculative than investments in securities of issuers located in developed countries and are subject to certain special risks.

Custody risk

The scope and range of custodial services offered in many foreign countries, particularly less developed or developing nations (known as "emerging markets") can be limited. As a result, assets may be maintained with banks, brokers and other financial institutions which have more limited custody services, less experience, less developed procedures for safekeeping of assets, poorer capitalisation, and greater risks of bankruptcy, insolvency and fraud than would typically be the case in other jurisdictions.

Political & economic risk

The political and economic structures in many emerging markets are in their infancy and developing rapidly, as such these countries may lack the social, political and economic characteristics of more developed countries. In the past, some of these countries have failed to recognise private property rights and have at times nationalised and expropriated the assets of private companies. Many emerging markets have experienced periods of substantial and sometimes extremely high rates of inflation for many years. Continued inflation may adversely affect the economies and securities markets of such countries. In addition, unanticipated political or social developments may affect the value of investments in these countries.

Liquidity risk

The small size, limited trading volume and relative inexperience of the securities markets in some countries makes investments in such countries less liquid and more volatile than investments in more developed countries. Assets may be invested in illiquid or restricted securities for which there is no established resale market; these securities may only be able to be liquidated at disadvantageous prices.

Currency risk

A portion of assets may be invested in equity or bond securities denominated in currencies other than the base currency of the client's account and in other financial instruments, the prices of which are determined with reference to currencies other than the base currency of the client's account. Currency exchange rates can also be affected unpredictably by intervention, or lack thereof, by foreign governments or central banks. These factors will affect the value of your investments.

Forward currency contracts are typically utilised to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective. Further, by engaging in cross-hedging transactions, the risk of imperfect correlation between the subject currencies will be assumed. It is possible for these practices to present risks different from, or in addition to, the risks associated with investments in foreign currencies.

Market risk

Trading and investment strategies are subject to market risk. There can be no assurance that what is perceived as an investment opportunity will not, in fact, result in substantial losses as a result of one or more of a wide variety of factors. Certain general market conditions, for example, a reduction in the volatility or pricing inefficiencies in the markets in which assets are invested, could materially reduce profit potential. Where the portfolio or fund we manage includes bond (or debt) securities, these will also be affected by movements in interest rates. In general, if interest rates rise the value of such securities will fall, and if interest rates fall the value of such securities will rise.

Emerging markets risk

The political and economic structures in many emerging markets are less mature than those of developed markets. As such, these countries may lack the social, political and economic characteristics of more developed countries. A number of these countries have, in the past, failed to recognize private property rights and have, at times, nationalized and expropriated the assets of private companies. Many emerging markets have experienced substantial, and, in some periods, extremely high rates of inflation for many years. Continued inflation can adversely affect the economies and securities markets of such countries. In addition, unanticipated political or social developments can affect the value of your investments in these countries.

Interest rate risk

Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates. Mortgage-related securities can have more interest rate sensitivity than other bonds because of prepayments and other factors, and can carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.

Call risk

When interest rates are low, it is possible for issuers to repay the obligation underlying a “callable security” earlier than expected, thereby affecting the investment’s average life and perhaps its yield. A portfolio can reinvest the proceeds from the called security but it will be at the current, lower rates.

Credit risk

Failure of an issuer to make timely interest or principal payments or a decline in the credit quality of a bond can cause a bond’s price to fall.

9. Disciplinary information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our company or the integrity of our management. At the present time, we do not have any material legal, financial or other disciplinary items to report.

10. Other financial industry activities and affiliations

FSIM is part of the CBA Group which is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance, investment and broking services. In some cases, FSIM has business arrangements with related persons/companies to the FSIM advisory business or to their clients. In some cases, these business arrangements create potential conflicts of interest, or the appearance of a conflict of interest between FSIM and a client. Recognised conflicts of interest are discussed in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) of this Brochure.

Associated Investment Advisers

Colonial First State Asset Management (Australia) Limited (CFSAMA) is a registered investment adviser and is an associate of FSIM. CFSAMA was incorporated in 2005 and is a wholly owned subsidiary of the CBA Group. CFSAMA is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds.

First State Investments (UK) Limited and First State Investments International Limited, are both FCA regulated entities, acting as investment managers for both US and non-US institutional clients. Both entities are SEC registered investment advisers.

First State Investments (Singapore) (FSIS) is licensed by the Monetary Authority of Singapore in the conduct of its investment business in Singapore and is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC"). FSIS was incorporated in 1969 and is a wholly owned subsidiary of the CBA Group. FSIS provides portfolio construction and investment management services to a range of institutional clients and funds.

First State Investments (Hong Kong) Limited ("FSIHK") is a company incorporated under the laws of Hong Kong. FSIHK is an investment adviser registered with the SEC in 2015 and licensed by the Securities and Futures Commission in Hong Kong on 11 March 2005. FSIHK provides investment advisory services to clients from its principal business office located in Hong Kong. As a result, FSIHK currently is and will continue to be licensed with the Securities and Futures Commission in Hong Kong and subject to regulations by the Hong Kong regulatory authorities.

First State Investments (US) LLC (FSI US) is an SEC registered investment adviser and is an affiliate of FSIM. FSI US was established in 2014 and is a wholly owned subsidiary of the CBA Group. FSI US provides discretionary management services to institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSIM.

Furthermore, FSIM may serve as a sub-adviser for accounts or clients for which one or more CFSGAM affiliates serve as investment manager or investment adviser. FSIM receives services, including but not limited to investment advisory services, from certain affiliates. For example, in the areas of legal and compliance, risk management, human resources, finance, information technology, trade support, back and middle office support, and sales and marketing, services are provided or received and employees are shared between FSIM and various affiliates.

11. Code of Ethics

FSIM has adopted a Code of Ethics (the “Code”) that requires all Supervised Persons (including Access Persons) to:

- Act with integrity, competence and in an ethical and professional manner;
- Always act in the best interests of our clients;
- Comply with all applicable US federal securities laws, as well as all other applicable laws and regulations; and
- Promptly report any violation of the Code of Ethics.

Definitions:

Supervised Person: any partner, officer, director (or other person occupying a similar status or performing similar functions) or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

Access Person: a supervised person who has access to non-public information regarding clients’ purchase or sale of securities, is involved in making securities recommendations to clients or who has access to such recommendations that are non-public.

All Supervised Persons have received a copy of the Code and are required on an annual basis to confirm that they have read and understood the content.

The Code includes policies which will ensure the standards detailed above are adhered to and include:

Protection of Material Non-public Information

It is a crime in the U.S. and many other countries to transact in a company’s securities while in possession of material non-public information about the company. Questions regarding perceived material information should be directed to a member of the FSIM Risk & Compliance staff. Supervised Persons are responsible for safeguarding non-public information relating to securities recommendations, fund and client holdings. As such, Supervised Persons should not trade based on FSIM’s confidential and proprietary investment information. Other types of information (e.g. marketing plans, employment issues, client identities, etc.) may also be confidential and should not be shared with individuals outside FSIM (except those retained to provide services for FSIM).

Personal Securities Trading

An investment adviser is required to designate the categories or sub-categories of persons covered by its Code or portions of its Code. Rule 204A-1 requires this Code to cover FSIM’s ‘Supervised Persons’. A subset of these Supervised Persons, known as ‘Access Persons’, are required to comply with specific reporting requirements in relation to personal account trading. Rule 204A-1, contains a presumption that, if the firm’s primary business is providing investment advice, then all of its directors, officers and partners are Access Persons.

All FSIM Supervised Persons are subject to personal trading restrictions as required. There are additional pre-clearance and reporting requirements applicable to Access Persons.

Additional personal trading restrictions also apply, through policies adopted outside the Code, to all FSIM personnel and their associates such as their partner. In summary, generally pre-approval is required for transactions in listed securities other than immaterial amounts. These restrictions operate in addition to the requirements of this Code and their effectiveness is monitored by the relevant global Risk & Compliance teams.

Gifts and Gratuities

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships; not to gain unfair advantage with clients or vendors. No gift or entertainment should ever be offered, given, provided or accepted by any FSIM Supervised Person unless it: (i) is unsolicited, (ii) is not a cash gift, (iii) is consistent with customary business practices, (iv) is not excessive in value, (v) cannot be construed as a bribe or payoff and is given or accepted without obligation, and (vi) does not violate applicable laws or regulations.

Conflicts of Interest

In the discharge of its fiduciary duties FSIM has in place policies and procedures to manage actual or perceived conflicts of interest. In summary this involves:

- Putting in place controls to ensure the impact of the actual or potential conflict is reduced to an acceptable level; and/or
- Disclosing all material facts concerning any actual or potential conflict that may arise; or
- Avoiding situations where an actual or potential conflict cannot be effectively managed by either disclosure or control.

Outside business interests and affiliations

To manage conflicts of interest, inside information and other compliance and business issues, FSIM maintains a record of its Supervised Persons serving as officers or members of the board of any other entity. Advice must be obtained through the Chief Compliance Officer and management where there is a perceived potential conflict of interest. FSIM can deny approval where the perceived conflict of interest cannot be managed effectively. This prohibition does not apply to service as an officer or board member of any parent or subsidiary of FSIM or any not-for-profit or charitable foundation, organisation or similar entity.

FSIM will, from time to time, invest in the same securities that Colonial First State Asset Management (Australia) Limited and/or First State Investments (Singapore) Limited, First State Investments (UK), Limited, First State Investments International Limited, First State Investments (US) LLC are also currently invested. Portfolio management and security recommendations are undertaken at an investment strategy level and each investment team managing these strategies is organised separately. Information barriers and other controls exist between investment teams to manage any potential conflicts that may arise.

You may request a copy of our Code of Ethics by writing to the Chief Compliance Officer, First State Investment Management (UK) Ltd., Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB, UNITED KINGDOM.

12. Brokerage practices

Order Aggregation and Allocation

FSIM seeks to aggregate and allocate trade orders in a manner that is consistent with its duty to: (1) seek best execution of client orders; (2) treat all clients fairly and equitably over time; and (3) not systematically advantage or disadvantage any single client or group of clients.

FSIM follows policies and procedures pursuant to which it may combine or aggregate purchase or sale orders for the same security for multiple client accounts so that the orders can be executed at the same time. FSIM aggregates orders when it considers doing so appropriate and in the interests of its clients. Client accounts may be included in the aggregated orders with clients of FSIM's affiliated advisers.

When orders are aggregated, the orders can be placed with one or more brokers for execution. When an aggregated order is filled, FSIM generally will allocate the securities purchased or proceeds of sale pro rata among the participating client accounts based on the pre-trade allocation. Adjustments or changes can be made under certain circumstances, such as to avoid small allocations or to satisfy cash flows and guidelines. If an order at a particular broker is filled at several different prices, through multiple trades, generally all participating client accounts will receive the average price.

Although allocating orders among FSIM clients creates the potential for a conflict of interest because FSIM could receive greater fees or overall compensation from some clients than received from other clients, allocation decisions will not be made based on such greater fees or compensation. When an investment opportunity is suitable for two or more clients, allocations will be made in a fair and equitable manner, and will take the following factors, among others, into consideration: the relative size of the client account, available cash for investment, investment objectives and restrictions, liquidity considerations, legal and regulatory restrictions, portfolio risk/return objectives, investment horizons, and client instruction.

When deemed in the best interest of the client, First State Investment Management (UK) Limited will utilize the services of ICAP Cross Trade for the execution of equal and opposite orders on the same instrument at an independent live mid-market price. In the event of execution of a trade, brokerage is charged at 0.01% on both the buy and the sell leg of the trade.

Counterparty Approval

FSIM has a rigorous counterparty approval process to ensure that we use suitable, reliable counterparties (brokers) when dealing on behalf of clients. In order to ensure that they are suitable and reliable we have adopted an approved list of counterparties which have been reviewed and considered to be appropriate for us to deal with on behalf of our clients.

The process of on boarding new counterparties is the responsibility of the business management team who work with the compliance, credit and legal teams in assessing the suitability of a new counterparty using the following criteria:

- financial strength
- profitability
- leverage
- ethical standards
- terms of business
- acceptance of our standard commission rates

The business management team conducts a rolling review of counterparties and each counterparty is reviewed at least annually.

Use of Dealing Commission

FSIM's policy is that all externally provided execution services are paid for as part of an agreed standard commission. Historically, this commission could include payment for other services including research. From January 1st 2018, in accordance with the MiFID II regulation, FSIM will procure all externally provided investment research under an unbundled model, whereby the research will be paid for directly from the firm's resources.

Where we execute orders through a broker or other person and those broker's or other person's charges are passed on to our customer in return for which goods or services in addition to the customer order execution are received, we must have reasonable grounds to be satisfied that those goods or services are related to the execution of trades on behalf of our customers, and will reasonably assist us providing services to our customers on whose behalf the orders are being executed and do not, or are not likely to, impair our compliance with our duty to act in those customers' best interests.

Where goods or services relate to execution, we should have reasonable grounds to be satisfied we have met the above requirements if the goods or services are linked to the arranging and conclusion of a specific investment transaction (or series of related transactions), and are provided between the point at which we make the investment or trading decision and the point at which the investment transaction (or series of transactions) is concluded.

No arrangements regarding the use of dealing commission may be entered into that could compromise our ability to provide best execution to our customers.

The following is a list of examples of goods or services relating to execution which are specifically highlighted as not meeting the requirements for execution, research goods or services and are therefore not accepted by FSIM:

- services relating to the valuation or performance measurement of portfolios;
- computer hardware;
- connectivity services such as electronic networks and dedicated telephone lines;
- seminar fees;
- corporate access services;
- subscriptions for publications;
- travel, accommodation or entertainment costs;
- computer software including order and execution management systems and office administrative computer software, such as word processing or accounting programmes;
- membership fees to professional associations;
- purchase or rental of standard office equipment or ancillary facilities;
- employees' salaries;
- direct money payments;
- publicly available information; and
- custody services relating to designated investments belonging to, or managed for, customers other than those services that are incidental to the execution of trades.

Commission rates and allocation

The allocation of payment for execution services is the responsibility of the dealing team, as a by-product of the selection of a broker on an individual trade on the basis of best execution. In the day-to-

day management of trading, the dealing desk is responsible for managing broker selection such that the achievement of best execution is the primary consideration on each individual trade.

The dealing desk is responsible for agreeing the commission rates with each broker across each market.

Directed commission

Directed commission is where a client may instruct us to generate commission on their account in order to pay for a service which they have contracted from one or more particular brokers. Our view is that it would not be treating all our clients fairly to allow individual clients to enter into such arrangements. We are also unwilling to make any commitment to trade, whether at certain amounts or even at all, with particular brokers. FSIM will therefore not enter into directed commission arrangements if requested to do so by clients or prospective clients.

Cross Trades for Stewart Investors Team

Where an internal crossing is undertaken, where one internal fund/client is selling and another is buying, the trader must ensure the price is fair to both customers. Our standard approach in all such cases is to transact through a broker as a net trade, rather than to cross internally. Such transactions are only entered into when SI deems the transaction to be in the best interest of both clients and at a price SI has determined by reference to independent market source. The transaction is done at a fixed commission rate which is a quarter of our average rate. Neither SI nor any related party receives any compensation as a consequence of such 'cross' transactions.

Execution Review

Execution and all related activity are reviewed by all Dealing teams, Chief Investment Officers and Business Management at the applicable quarterly meeting of the Best Execution Committee.

Role of the Investment Committee

The Stewart Investors Execution Oversight Group and the Colonial First State Global Asset Management Investment Committee have responsibility for oversight in relation to all relevant funds and portfolios under the management of FSIM. This includes a formal review of the use of counterparties, counterparty risk, and associated issues.

13. Review of accounts

We regularly review client accounts. The frequency of that review is determined by the requirements of the client and the nature of the mandate and includes periodic reviews of performance, investment activity and outlook. Normally these reviews would be carried out by the named Portfolio Managers or other qualified members of the investment team, together with the Relationship Manager or, in some cases, by the Relationship Manager directly. The named Portfolio Manager or senior member of the investment team and the primary Relationship Manager will normally discuss with the client on at least an annual basis.

Periodic written data, including valuations and transaction information, is usually provided on a monthly basis and may be supplied to the client or the client's custodian for accounting or reconciliation purposes. In addition, clients normally receive quarterly reports, either following a standard First State Investment template, or tailored to suit the individual client or mandate requirements.

Stewart Investor Clients are also invited to participate in a quarterly webcast where the investment team reviews the quarterly performance or discusses a topic relevant to the clients. Clients also receive a replay link by email after the webcast has taken place.

The Stewart Investors Board and Execution oversight Group and the Colonial First State Global Asset Management Investment Committee have responsibility in relation to all relevant funds and portfolios under the management of FSIM and regularly reviews performance, counterparty risk and associated issues, breaches of investment guidelines and any general dealing or operational factors which may affect the funds that we manage.

In the event of a major market dislocation, or similar event, client accounts would be reviewed and appropriate action and communication undertaken promptly.

14. Client referrals and other compensation

FSIM does not enter into agreements with third parties for the referral of new clients in the US.

FSIM does not receive any economic benefit from anyone who is not a client for providing investment advice.

15. Custody

FSIM generally does not maintain custody of the assets of our clients with separately managed accounts. Instructions to facilitate payment of fees are generally initiated by the client through the client's custodian.

All clients should receive account statements directly from the broker-dealers, banks, trustees, or other qualified custodians with whom they have accounts. We strongly urge all clients to compare the reports they receive from FSIM to the statements they receive from their broker-dealers, banks, trustees or custodians. Any issues or discrepancies should be communicated to us promptly so that we may investigate.

16. Investment discretion

We accept discretionary authority to manage securities accounts on behalf of clients through the negotiation, agreement and execution of an Investment Management Agreement which sets out the investment objectives of the client and any limits that the client may wish to impose on our discretionary authority.

For instance, clients may restrict the type of securities that may be included in the portfolio, place limits on borrowing or underwriting or limit investment in particular securities.

Each Investment Management Agreement will contain specific provisions that both parties and, in some cases, multiple parties will agree to.

From time to time, we may also accept client mandates on a sub-advisory basis.

17. Voting client securities

The concept of stewardship is at the heart of FSIM's investment approach. We believe our job is to allocate our clients' capital in accordance with the investment process and philosophy that has been agreed with our clients. FSIM is in a position to influence the environment, social and governance performance of companies via discussions with management or the board of directors and through the exercising of proxy votes. The exercising of the voting rights must be in the best interests of our customers.

FSIM has in place a comprehensive corporate engagement policy that describes how we vote on various issues. Subject to specific client directions, we will exercise every vote in accordance with that policy, however occasionally exceptions arise. The key criteria for how we vote is what we consider to be the best interests of our clients.

We utilise the services of professional proxy voting advisors to independently inform the proxy voting decisions which we take on behalf of our clients. In the event that a material conflict of interest is identified in connection with voting a proxy, we will either vote in accordance with the recommendation of the independent proxy voting advisors or abstain from voting.

The authority and responsibility for exercising proxy votes will be defined within the investment management agreement executed between FSIM and each discrete mandate client. However, FSIM may still receive proxy voting instructions from each discrete mandate client on a case-by-case basis (provided FSIM is notified in a timely manner) or, alternatively, the discrete mandate client may instruct their custodian directly.

Wherever a discrete mandate client delegates responsibility for exercising proxy votes, and if requested by the client, FSIM will report back to the client how votes were cast on their behalf.

Our corporate engagement policy or additional information regarding how we vote on the clients' securities can be obtained by writing to our Chief Compliance Officer.

18. Financial information

FSIM does not require prepayment of any advisory fees. Presently, FSIM has no financial commitments or obligations that would interfere with our obligations to our clients. FSIM has never filed for bankruptcy protection.

For further information

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Registered in Scotland with company number
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