



# James Hambro & Partners LLP

## Form ADV Part 2A, Firm Brochure

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This Brochure provides information about our qualifications and business practices. If you have questions about its contents, contact us at +44 (0)20 3817 3500 or [compliance@jameshambro.com](mailto:compliance@jameshambro.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any non-U.S. or U.S. state securities authority.

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

The disclosures in our Brochure are solely for U.S. resident clients.

## **Item 2. Material Changes**

This is our Brochure on Form ADV Part 1. We have amended this Brochure to reflect the material change that we are now registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser under the U.S. Investment Advisers Act of 1940 (“Advisers Act”).

In the future, this Item will discuss material changes that we make to our Brochure. We will file our amended Brochure with the SEC and provide it to our clients, without charge.

We will send you a copy of our Brochure if you call us at +44 (0) 20 3817 3500 or e-mail us at [compliance@jameshambro.com](mailto:compliance@jameshambro.com).

You can find more information about us via the SEC’s web site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Item 3. Table of Contents

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

#### Item 4. Advisory Business

James Hambro & Partners LLP ("JH&P", "our" or "we") is a London-based investment manager. We were established in 2009. We operate in a single office in London. We have 81 employees, including 17 persons who are employees of James Hambro & Co Ltd. ("JH&Co"), a company for which we are the 100% owner, and who are associated persons of ours.

We are majority owned by our partners (68.53%). The remainder of our owners include: JO Hambro Capital Management Limited ("JOHCM") which is wholly owned by J O Hambro Capital Management Holdings Limited, 5.13%; JHP Investment Managers LLP ("JHPIM"), 5.47%; and JH&P Holdings ("Holdings"), 20.87%. Certain of our partners, officers and employees are indirect owners through each of JHPIM and Holdings. James Hambro ("Mr Hambro") owns, indirectly and through these entities, 25.11% of us.

We identify our related persons in our Form ADV Part 1.

Our structure brings both freedom and responsibility with partners having a strong motivation to work together to contribute a superior service and investment success for clients.

We provide discretionary and non-discretionary (Advisory and Execution only) investment management across a range of equity strategies, as noted below. We offer our services through pooled investment vehicles ("private funds"), listed funds and separately managed accounts for individuals, families, trusts and charities in the mandates described in Item 8.

For our U.S. clients, we provide discretionary investment management in separately managed accounts across the mandates as described in Item 8.

We combine integrity and expertise with an investment resource which is firmly focused on our aim to deliver first class performance. We believe that the combination of a group of attentive and experienced private wealth and charity managers with the resources and skills of an award-winning investment team makes us different. We believe that the following attributes combine to differentiate our offering:

- **Partnership** – Our structure brings both freedom and responsibility with partners having a strong motivation to work together to contribute a superior service and investment success for clients.
- **Simplicity** – We established ourselves up from scratch, giving us the opportunity to keep our business uncomplicated with few of the distractions normally associated with more mature businesses, and focused on one clear objective – identifying and meeting the needs of clients.
- **Resources** – Our partners have an average of over 20 years' experience in financial markets, covering investment management and financial planning.
- **Performance** – Our sole focus to deliver the long-term investment outcomes that our clients require. Since inception, our portfolios have consistently ranked in the top quartile of Asset Risk Consultants peer group of charity and private client fund managers.

The investment management services that we provide are dependent on and limited to the client's investment objectives and restrictions. All clients complete and sign a Client Application Form which, in turn, is a declaration that they accept our Terms and Conditions and agree to our Schedule of Fees. These legally binding documents comprise the investment management agreement ("IMA"), which

governs our relationship and specifies the investment objectives and restrictions.

We do not participate in wrap fee programmes.

As of 28 February 2018, we manage assets for 1,885 clients in 3,487 accounts. Discretionary assets under management are \$3,107,606,026 and non-discretionary assets under management are \$384,877,539.<sup>1</sup>

**The disclosures in this Brochure relate solely to our activities for U.S. resident clients (“clients”).**

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

Clients pay a management fee based on a percentage of assets under management (“Fee”), which includes the Research Fee as discussed in Item 12 below.

We do not charge a performance fee.

The typical fee scale is 1.15% p.a. on the first \$6,000,000, which is negotiable for larger amounts. Fees are calculated quarterly in arrears on the last day of each quarter.

RBC Investor Services, a custody bank in Jersey, will act as custodian for the assets of U.S. clients. We have no arrangements with this custodian and we do not receive any fees or retrocession from it.

The custodian will value client positions. We also value positions and we reconcile our valuations with those of the custodian.

We send our clients an invoice for our Fee, which is based upon our valuations as reconciled with the custodian. This invoice also includes the custodian’s own fees, which includes the fees for holding assets, settlement charges, interest and dividend collection costs incurred, quarterly statements, valuations and regulatory reporting.

Our clients instruct their custodian, acting as the agent for the client, to pay our Fee against the invoice. The custodian is also paid in this manner. Alternatively, clients may choose to pay our Fee and the custodian’s fee directly.

Separately, clients pay brokerage and other market related charges.

We do not provide custody or related services and these and the costs thereof are governed by the clients’ own arrangements.

In the case of an investment in funds, clients as investors also bear other fees and expenses, including administration, audit and legal. We do not invest clients in affiliated funds.

#### **Item 6. Performance Fees and Side-by-Side Management**

We do not manage client assets with a performance fee.

#### **Item 7. Types of Clients**

We provide discretionary investment management services to private funds and separately managed accounts for individuals, trusts, charities and corporations.

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<sup>1</sup> FX rate of 1.376 based on Bloomberg rate of 28 February 2018

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

### **Our investment philosophy**

Our starting point is that all our clients:

- deserve maximum security for their capital assets and, just as importantly, for their income;
- should not be deprived of any investment opportunity that can preserve or enhance their wealth, so long as it meets our criteria for liquidity and underlying value and meets the client's investment objectives and risk profile; and
- must receive the highest level of service with direct access to their Portfolio Manager.

In our view, the most important objective in investment management is the protection of the real value (after inflation) of clients' assets over a prolonged period. The greatest test for a Portfolio Manager is the ability to achieve this objective. We strive to achieve this, but there are no guarantees.

At the core of our investment philosophy is the belief that, over the long term, equities provide compelling opportunities for the real preservation of assets and wealth creation. Equities offer some protection against inflation, as company sales and profits will tend to go up as the price of goods and services rises. Equities can also deliver growth as companies reinvest internally generated cash flow in profitable, high return activities. There will be periods when the outlook for equities is not so good, because either the valuation starting point is unattractive or the profit growth prospects are poor. At times like this, we invest in other assets with more attractive capital return or yield prospects, including cash, government and corporate bonds and, where appropriate, alternative investments, including: gold, property and absolute return funds.

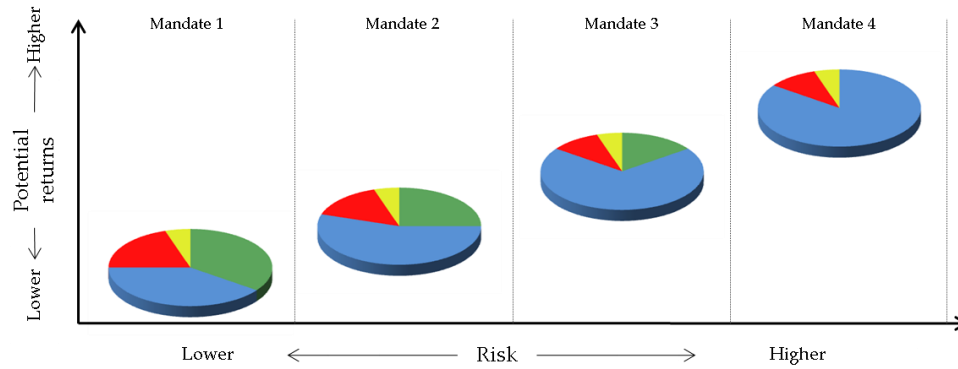
We adopt an open approach to portfolio construction, applying the same philosophy to our selection of investment funds as we do to individual companies. We attach a great deal of importance to personal contact at every level of the investment process, and invest our clients' portfolios only in markets and asset classes that we fully understand and that deliver the best risk-adjusted long term return. We place security and liquidity considerations at the forefront of our investment philosophy. There is risk associated with any investment and our preference is for thorough due diligence and a clear understanding of what we buy, hold and sell.

### **The investment process and portfolio construction**

The starting point is a clear assessment of the client's investment objectives. This is an essential step that analyses the client's tolerance for risk, income requirements and other objectives. Once these are agreed the investment objectives fall broadly into one of the four long term mandates shown in the chart below. It is tailored to match the mandate recorded in the IMA and our systems.

Using independent analysis by Bitar Risk Consultants Ltd with 47 years of historic data, we have constructed four differentiated portfolio mandates. These mandates have varying asset allocations and range from lower expected return with a lower risk taken to higher expected return with a higher amount of risk taken. These mandates then provide a framework on which to base the most appropriate strategy for the Client.

#### **Long term mandates**



Taken from a study by Bita Risk Consultants Ltd originally commissioned by JH&P on 06/09/11. Data covers the period 31/12/69 to 31/12/16.

A fifth type of mandate, Bespoke, is available for a client that wishes to combine two or more elements of these four types of mandates.

Once we have established the Mandate and asset allocation profile for the client and recorded this in the IMA, we apply our 'real world' tactical asset allocation overlay. For our U.S. clients, we hold a monthly asset allocation meeting in which we assess where the best long-term investment opportunities lie in each asset class and adjust the weightings in the underlying assets, if needed.

#### Asset Guide

- Fixed Interest
- Equities
- Alternatives
- Cash

### Definition of risk and risk management

A compelling investment offering without the comfort of commensurate levels of risk management would be unattractive. It is in recognition of this, and with years of experience, that the monitoring of risk and the performance of each investment mandate runs parallel to all aspects of our process.

It is often unclear, when an individual says something is 'high risk' or 'low risk', to know what they really mean, as high risk for some is lower risk for others. For clarity, we explain how we define risk and why.

Every investment carries risk. We recognise the impact that inflation can have on an investment portfolio over time. In brief, inflation risk encourages us to invest in a multi-asset portfolio with an emphasis on equities in order to achieve risk-adjusted returns that are superior to the long run rate of inflation, whilst diversification reduces company specific and market risk. We make the distinction between inflation beating assets such as equities and inflation hedging assets such as index linked bonds. Put simply, the higher the volatility of an investment, the higher the risk over a short time horizon. However, for investors with a longer time horizon there are compensations for owning equities, despite their higher short-term volatility.

The extensive experience of senior management, both within the environment initially of large merchant banking groups, and subsequently in the building up of our firm from scratch, underlines the importance of a robust investment process even within a smaller organisation. We recognise the dangers inherent in a highly restrictive investment process whereby individual flair can be too easily discouraged by overzealous risk control. We believe that a successful overall investment process should be rigorous rather than rigid; designed to promote maximum dialogue and hopefully creativity, but always within realistic and controllable parameters.

Our Portfolio Managers have limited discretion to deviate from a given model at both the tactical asset allocation and stock selection level. So, for a predefined level of risk, all our Portfolio Managers must be within agreed limits for each asset class; sufficient for the individual circumstances of a client to be reflected but not significant for the overall portfolio result to produce an unacceptable dispersion of performance returns for a similar mandate.

In order to monitor individual portfolio risk, we use a suite of applications licensed from Bita Risk, a part of the Cor Financial Group (with whom we have no affiliation). Through a combination of building and testing strategies covering risk and performance attribution, stress testing and optimization, these applications deliver analysis and insight into portfolios through a range of reports.

- **Bita Star** helps us measure performance against our clients' attitude to risk as reflected in the IMA and provides tools to support asset/ product suitability screening, portfolio construction, investment proposal generation and the on-going monitoring and reporting of portfolio risk.
- **Bita Monitor** systematically 'measures-against-mandate' private client portfolio risk and monitors outliers, providing reports across private client segments down to individual client level. Daily, weekly or monthly, the business risk of clients outside mandate can be managed through monitoring, replacing manual analysis of data with valuable clear information. We can measure risk against mandate, are able to identify clients lying outside their mandate, understand client groups, family holdings and investment restrictions, manage known exceptions through time, generate a graphic overview and 'traffic light' reports, analyse data by region, team, manager and client segmentation and demonstrate trends across key statistics. The application features a risk management tool to investment managers and concise Management Information (MI) reports.
- **Bita Vision** is a rapid analytical tool for building and testing asset allocation strategies, covering risk and performance attribution, optimisation and stress testing. It delivers analysis and insight into portfolio allocations. It enables analysis across user defined data and date ranges, portfolio optimisation, study of the correlations between asset classes for user defined date ranges, risk attribution to decompose risk and expected return (both absolute and relative to benchmark), the historic analysis of current asset allocation and performance return attribution.

Using these tools allows us to review client portfolios to help ensure strict adherence to agreed parameters. We review performance, volatility (including compliance with all stated portfolio restrictions), liquidity and turnover. Performance data is calculated monthly within the system.

#### **Asset allocation**

The starting point for our discussions about where to invest is to ask where the best long-term investment opportunities lie. Historical evidence suggests that valuation starting point is an important determinant of subsequent investment return. A low valuation starting point substantially increases the likelihood of superior long-term investment returns.



This does not mean that we are 'value investors' in a narrowly defined sense. We look for a good entry point to investments which can deliver a high and stable return on equity, or a high yield (dividend yield or coupon). This usually means that our portfolios have high quality characteristics rather than simply good 'value' traits; many investments are cheap for a good reason.

History also suggests that valuation alone provides a strong signal only at extremes. During the periods when valuation signals are mixed, we look at profit growth, price momentum and inflation changes as important influences on asset allocation.

Our analysis includes assets or funds which offer returns which are comparable to the long-term return on equities, with lower volatility, and investments which have a low correlation to equities. Both can enhance the risk-adjusted returns for our clients over the long term.

Valuation needs to be viewed in conjunction with the fundamental economic backdrop. For example, equity valuations may be seemingly low or bond yields high because of major threats to corporate profits or inflation risks. Stocks or bonds are often cheap for a reason; our job is to judge when apparent risks are more than compensated for by valuation starting point or when high valuations discount an unjustifiably optimistic scenario.

Having decided on our views, we check asset class, region and sector positioning in the market as a whole, using survey data and reported fund holdings. The impact of a firmly held view is likely to be reduced if most other fund managers are already there.

### **Individual stock and fund selection**

Alongside our tactical decisions on asset allocation, we hold twice-weekly meetings in which we debate and review the individual investments that will populate portfolios. Our investment specialists are responsible for producing and maintaining stock and fund lists from which our Portfolio Managers construct and populate their individual client portfolios. We undertake analysis of the companies in which we invest, meeting management wherever possible.

We look for reasonably valued companies with attractive operating models and then assess how good management can make that model operate even better. We concentrate on high quality recognisable names that we feel are the best in class. Furthermore, we place a great emphasis on companies with superior and deliverable earnings growth and strong cash flow generation, which can support a progressive growth in dividends.

To select third party funds, we undertake rigorous analysis to gain exposure to a diverse range of asset classes spread across a wide geographic base. We aim to select managers that complement our top down strategic or thematic views, taking into account factors such as manager history, fund characteristics, style, liquidity, the investment house, ownership structure, manager incentives and fees. We meet the manager of a pooled vehicle before investing and the investment team scores each manager on a number of key metrics. As with direct equities, each pooled vehicle must earn its place in the portfolio. We undertake formal reviews of our fund investments.

We invest in the institutional share classes of third party funds wherever possible and recognise that unnecessary overtrading detracts from performance. We do not invest U.S. clients in Hambro funds.

## Other important risk factors

**Investment approach:** All investments of these strategies risk the loss of capital. No guarantee or representation is made that the investment approach used on behalf of these strategies will succeed.

**Market risks:** The trading and investment strategies utilized are subject to market risk. Certain general market conditions – for example, a reduction in the volatility or pricing inefficiencies of the markets in which the strategy is active – could materially reduce the strategy's profit potential.

**Investments in equity securities:** Equity market risk is the risk that a particular stock, a fund, an industry, or stocks in general may fall in value. The value of an investment in the strategy will go up and down with the prices of the securities in which the strategy invests. The prices of stocks change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

**Investing in small or mid-cap equity securities:** Certain strategies invest in small and mid-capitalization companies. Such companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these small and mid-capitalization companies may have limited: (i) product lines, (ii) history of operations, (iii) ability to raise additional capital, (iv) access to markets and financial resources, and (v) may depend upon relatively small management groups. These factors may make them more susceptible to market pressures and, therefore, small and mid-capitalization stocks may be more volatile than those of larger companies.

**Illiquidity in certain markets:** Certain strategies may invest in securities that later become illiquid or otherwise restricted. The strategy might only be able to liquidate these positions at disadvantageous prices, should the Portfolio Manager determine, or it becomes necessary, to do so. For example, substantial withdrawals from the strategy could require the strategy to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to fund the withdrawals. Illiquidity in certain markets could make it difficult for the strategy to liquidate positions on favourable terms, thereby resulting in losses or a decrease in the net asset value of the strategy.

**International investing:** Investing in securities of non-U.S. issuers, positions which generally are denominated in foreign currencies, and utilization of forward foreign currency contracts, involve both opportunities and risks not typically associated with investing in U.S. securities. These include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of exchanges, brokers and issuers of securities; difficulties in obtaining and enforcing a judgment against a foreign issuer; different accounting, auditing and financial reporting standards; different settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; imposition of foreign withholding and other taxes; and sometimes less advantageous

legal, operational and financial protections applicable to foreign sub custodial arrangements. The cost of investing in securities of non-U.S. issuers can be higher than the cost of investing in U.S. securities. Investments in securities denominated in foreign currencies also involves the additional cost of converting currencies upon the purchase and sale of securities.

**Emerging markets:** The securities markets of emerging countries are substantially smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and other more developed countries. Disclosure and regulatory standards in many respects are less stringent than in the U.S. and other major markets. There also may be a lower level of monitoring and regulation of the markets and the activities of investors in certain less developed countries, and enforcement of existing regulations can be extremely limited. Emerging markets may have slower clearance and settlement procedures, higher transaction costs and investment restrictions that may restrict or delay trading. In addition, certain governments may require approval for, or otherwise restrict, the repatriation of investment income, capital or proceeds of sales of securities by foreign investors. war, governmental intervention, lack of capital, corruption, poor corporate management and limited resources are also common risks associated with investing in these markets. Sovereign debt may carry below investment grade credit ratings and be highly speculative. Defaults or restructurings of public and inter-bank indebtedness have occurred in several emerging markets, including Argentina, Brazil, Costa Rica, Ecuador, Indonesia, Malaysia, Mexico, Pakistan, Peru, Russia, South Korea, Vietnam, Thailand, Uruguay and Venezuela, as well as several African countries. There can be no assurance that foreign sovereign debt securities will not default or be subject to similar restructuring arrangements. Investments in securities of issuers located in emerging market countries can be more speculative than investments in securities of issuers located in developed countries and are subject to certain special risks. The political and economic structures in many of these countries may be in their infancy and developing rapidly, as such countries may lack the social, political and economic characteristics of more developed countries. Certain 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. Some countries have inhibited the conversion of their currency to another. The currencies of certain emerging market countries have experienced devaluations relative to the U.S. dollar, and future devaluations may adversely affect the value of assets valued in such currencies. Many emerging markets have experienced substantial, and in some periods, extremely high, rates of inflation for many years. Continued inflation may adversely affect the economics and securities markets of such countries. In addition, unanticipated political or social developments may affect the value of investments in these countries. The small size, limited trading volume and relative inexperience of the securities markets in these countries may make an investment in such countries illiquid and more volatile than investments in more developed countries, and the strategy may be required to establish special custodial or other arrangements before making investment decisions in these countries. There may be little financial or accounting information available with respect to issuers located in these countries, and it may be difficult as a result to assess the value or prospects of an investment in such issuers.

**Foreign custody:** In addition to the general risks associated with international investing described above, maintaining assets in foreign countries involves generally higher costs and greater risks than those associated with similar U.S. investments, particularly in the case of assets maintained in less developed countries. The scope and range of custodial services offered in many foreign countries may be more limited than in the U.S. and, as a result, assets may be maintained with banks, brokers and other financial institutions offering more limited custody services, and possessing less experience, less developed procedures for safekeeping of assets, poorer capitalization, and greater risks of bankruptcy, insolvency and fraud, than would typically be the case in the U.S. Assets maintained in certain emerging

foreign countries also may be subject to other types of risks that either are not present or less pronounced in the U.S. and other more established markets, including political and economic risks (including nationalization of foreign bank deposits or other assets, and poor political and economic infrastructure and stability), commercial and credit risks (including poorly developed and regulated banks and financial systems), liquidity risks (including restrictions on repatriation and convertibility of currencies), legal and regulatory risks (including risks relating to evolving and/or undeveloped legal systems and regulatory frameworks) and operational risks (including risks relating to maintenance of shareholder title, clearing and settlement procedures and market transparency. Transactions on non-U.S. exchanges are not regulated by U.S. governmental agencies, such as the SEC. Some non-U.S. exchanges, in contrast to U.S. exchanges, may be “principal markets” similar to forward markets, in which responsibility for performance is only that of the principal with whom a trader has entered into a transaction, and not of an exchange or clearing corporation. In some cases, a broker with whom the strategy enters into a transaction may in effect take the opposite side of trades made for the strategy. Because some non-U.S. exchanges generally lack a clearinghouse system such as that utilized by exchanges in the United States, market disruptions may be more likely to occur on non-U.S. exchanges.

**Currency risk:** The value of foreign securities is affected by changes in currency rates, foreign tax laws (including withholding tax), government policies (in this country or abroad), relations between nations and trading, settlement, custodial and other operational risks. An increase in the strength of the U.S. dollar relative to other currencies may cause the value of investments to decline. Certain foreign currencies may be particularly volatile, and foreign governments may intervene in the currency markets, causing a decline in value or liquidity in foreign holdings whose value is tied to the affected foreign currency. In addition, costs will be incurred in connection with conversions between various currencies.

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

There is nothing to report.

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

Our sole activity is investment management.

We do not engage in business activities with JOHCM and its two wholly-owned subsidiaries, or BTIM. Our related persons are identified in Form ADV Part 1.

Our UK regulator, the Financial Conduct Authority, requires us to have organisational and administrative arrangements to identify, address/manage, monitor, control and record any issue that give rise to a conflict of interest. These considerations apply equally in our role as a US registered Investment Adviser due to our role as a fiduciary and for the purposes of our Form ADV disclosure requirements.

Mr Hambro is a Partner and Chairman of JH&P, and is also deputy chairman of J O Hambro Capital Management Holdings Limited ("JOHCM Holdings") that owns and controls JOHCM. Mr Hambro is treated as an Access Person of JH&P.

JH&Co, a wholly-owned subsidiary of JH&P, shares office space with JH&P. JH&Co has its own client base, none of which are U.S. resident clients. JH&Co provides financial planning services to its clients. A limited number of those clients have separately managed accounts with us for which we provide discretionary investment management services. This activity is separate from JH&Co activities. JH&P research, advice and recommendations are shared with JH&Co, but JH&Co financial planning is separated from JH&P portfolio management. JH&Co staff are associated persons of JH&P and comply with our written policies and procedures as required by Advisers Act Rule 206(4)-7 and our Code of Ethics. These includes controls to help ensure that JH&P confidential client information is not misused.

We owe a fiduciary duty to our clients. We act in the best interests of our clients. We have adopted a Code of Ethics (Item 11, below) that sets forth the ethical standards of conduct that we require of our employees, including compliance with the U.S. federal securities laws.

We require our Access Persons to comply with personal account dealing controls, noted in Item 11.

We calculate the fee our clients pay based upon the valuation of the assets on our accounting system, which valuations are fully reconciled against the custodian. To address the conflict of interest rising out of our using our valuations to calculate fees, our auditors review our fee calculation methodology and sample calculations as part of their annual review. In addition to this, sample fee calculations are reviewed quarterly as part of compliance monitoring. Issues are addressed as they arise.

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

As a fiduciary, JH&P and its Supervised Persons must act in the best interests of clients and not misuse confidential client information. Access to confidential client information is restricted to those who require it. JH&P administers and enforces a Code of Ethics compliant with Advisers Act Rule 204A-1. The Code of Ethics is communicated to all staff with regular compliance training and monitoring and testing. We are a fiduciary and act in the best interests of our clients. We have adopted a Code of Ethics ("Code") under Advisers Act Rule 204A-1 to help us discharge our fiduciary duties to our clients and to protect against the misuse "confidential client information" ("non-public client information" as this term is defined in Rule 204A-1 including client holdings).

Our Code establishes: standards of behaviour; a requirement to comply with applicable U.S. federal securities laws; a requirement that "Supervised Persons" (officers employees and partners) receive, read and acknowledge receipt of the Code; a requirement to report Code violations; CCO review of Code activities; and personal account trading ("PAD") requirements for "Access Persons" and their "connected persons" (immediate family members that live in the same household and share beneficial ownership in "Reported Securities" (as defined in our Code and in Rule 204A-1)), including initial and annual account and holding reports quarterly transaction reports and pre-clearance requirements.

Policies and procedures on matters such as gifts, entertainment and inducements, and outside activities, are contained in our Compliance Manual that sets forth written policies and procedures required by the SEC pursuant to Rule 206(4)-7 under the Advisers Act. Our Code is part of the Compliance Manual and both are our written policies and procedures as contemplated by Rule 206(4)-7.

From time-to-time, an access person may hold the same securities as Clients. The Code is designed to ensure that PAD activity does not interfere with acting in the best interest of clients and prevents the misuse of confidential client information. PAD activity is subject to pre-clearance and requests may be

rejected. There is a 30 day minimum holding period. We have a Restricted List that operates to prevent any activity, client or PAD, in one or more securities or investments. PAD activity is monitored to detect and address Code breaches. We ban both front running and “side by side” trading (clients and Access Persons trading at the same time). A breach of our Code is a breach of an Access Person’s employment contract.

Certain of our Access Persons, their connected persons and their relatives that are not connected persons have their investment portfolios with us (“Controlled Accounts”). Certain of our Portfolio Managers exercise discretion over Controlled Accounts. To address the conflict of interest in this, to prevent the misuse of non-public client information and to protect our clients, transactions in Controlled Accounts may not be effected while the beneficiary of such account or the person exercising discretion over such account has non-public client information. Connected Account PAD activity is subject to multi-step pre-clearance (all orders require pre-clearance by another Portfolio Manager prior to execution), disclosure and monitoring. Such activity may take place only after the end of a blackout period following client trading activity. We reserve the right to impose further conditions upon such activity including the right to curtail portfolio activity.

It is a violation of our Code for any person to do an act, fail to do an act or permit another person to do or fail to do an act that would, directly or indirectly, control or influence a person exercising discretion over a Controlled Account with respect to the operation or activities of such account to take or not take any action with respect to such account.

Persons who violate our written policies and procedures are subject to disciplinary action including, but not limited to, written warnings, fines, disgorgement of profits and/or termination of employment, or referral to a regulator.

A copy of our Code of Ethics is available on request.

## **Item 12. Brokerage**

We do not solicit or take U.S. client orders to buy or sell securities. We do not trade for our own account. We do not invest U.S. client assets in Hambro funds. We do not place orders to buy to sell securities with affiliated brokers. We do not recommend to, request or require clients to direct brokerage.

When we trade, we comply with FCA Rules and the Advisers Act and the rules thereunder. FCA Rules require us to have to an order execution policy and to take all reasonable steps to obtain, when executing orders, the best possible results for our clients.

We separate the research function from the dealing function. We trade with independent brokers on an execution only basis.

A broker may provide us with execution and research, but these will be under separate agreements and performance evaluated independently.

## **Aggregation, allocation and order execution**

We are discretionary managers and the IMAs with our clients give us full discretion, subject to the

investment restrictions stipulated in the IMA, to make investment decisions on behalf of the particular client portfolio. We believe that the separation between fund management and transaction execution means that our fund managers may concentrate on idea generation and portfolio construction and our dealers focus on adding value through quality execution. This separation also provides an in-built control in helping to seek and secure best execution and quality of execution for our clients' portfolios.

The execution of investment decisions is made by our dealing desk, staffed by full time dealing professionals. All orders are passed electronically to our dealing desk via our order management system.

We separate dealing from research. All client orders for a regulated market are traded at an execution only rate (the broker charges us only an execution fee), giving our dealers impartiality when seeking the best possible outcome for a trade.

When trading for more than one portfolio or client, we aggregate orders and record allocations before an order is placed. Our dealing software does not allow allocations to be changed after an order is submitted for execution. An allocation may be changed after execution only if there is a trade error (discussed below) and modified consistent with the manner in which the trade error is addressed.

### **Cross trades**

Subject to compliance with certain conditions, JH&P will effect cross trades for its clients. Cross trades present conflicts of interest and the conditions are intended to address these. The conditions are that JH&P exercises discretion for both clients, both legs of their cross trade are sent to the executing broker, JH&P complies with its best execution obligation, both legs are suitable and there is a reasonable basis for the recommendation.

### **Best execution – seeking to obtain the best possible result**

Our obligation is to take reasonable steps to seek to obtain the best possible result for our clients, taking into account various execution factors including price, costs, liquidity, speed of execution, size of trade, likelihood of execution and settlement and other considerations relevant to the execution of the order. The ranking of each factor will depend on the specific characteristics of the instrument being traded and the markets in which they are dealt. For example, high volatility may make speed of execution more important, or low liquidity may make likelihood of execution the most important factor when assessing execution. We use our knowledge of the markets to decide the most appropriate execution venue.

Through our electronic trading platform and via Financial Information Exchange ("FIX"), we connect directly to our approved brokers. This gives us a variety of exchanges and venues where we can use low touch (Algos/Dark Pools/DMA), or high touch (Broker Sales Traders/Market Makers) strategies to execute orders. We use a wide range of trading approaches, including single stock, program trades, net trading and agency cross trades. Agency cross trades only take place where we exercise discretion for both clients, where there is a change of beneficial owner and in satisfaction of our suitability and reasonable basis for recommendation requirements. We do not cross internally.

We use Bloomberg analytical tools and software to analyse market data to help determine the best strategy for each trade, taking into account varying factors such as liquidity and volatility. Once a trading strategy is decided, orders are instructed via FIX. Standard default low and high touch execution only commission rates are set out with our pre-approved brokers and maintained within our order

management system ("OMS"). Low touch trading for smaller orders with a lower impact on Average daily volume, are dealt through direct market access ("DMA") or via Algos at 4 basis points. Larger or more illiquid orders that may have a greater market impact, could potentially be trader high touch for 8 basis points.

**Equities** - Our choice of broker depends on the nature of the transaction, the likelihood of dealing within a reasonable time and the ability to settle a bargain satisfactorily and at a reasonable dealing cost. We place equity orders electronically via an execution management system that provides access to broker's trading technology and multiple trading venues and exchanges. We also place orders via telephone or secure audited instant messaging through systems such as Bloomberg. On occasion we use, program trades, which use electronic methods of executing multiple trades automatically, with the aim of increasing efficiency and reducing the cost to the client.

**Bonds** - Bonds are generally traded directly with brokers through our execution management system.

**Collective investment schemes** - transactions in unit trusts & OEICs are conducted directly with the product provider or their agent.

#### **Broker selection and review**

We are not a member of any regulated exchange. Consequently, we do not deal directly with an exchange but through a broker that is an exchange member. Our broker list comprises a mixture of large integrated investment banks and smaller country specific or niche firms.

We only transact with approved brokers. Assessment of brokers takes place quarterly. Bloomberg data is used to monitor execution quality on a live trade by trade basis. Transaction Cost Analysis ("TCA") is provided to us by an external consultant, Liquidmetrix. Our dealers review post-trade data reports to assess overall execution quality. Compliance monitors this activity. Trading performance, including explicit and implicit costs in absolute and relative terms, clearing and settlement quality, dealers and access to trading venues and liquidity and overall service to JH&P is reviewed on a quarterly basis by the Execution Management Committee, a subset of the Risk Committee.

Our broker list comprises a mixture of large integrated investment banks and smaller country specific or niche firms. We only transact with pre-approved brokers as professional clients on an agency basis. When choosing brokers, we use the following criteria:

- security details, including size and price;
- promptness of execution;
- past history in executing orders in particular asset classes;
- quality, cost and likelihood of clearing and settlement;
- provision of delegated regulatory reporting (if applicable);
- quality of service provided;
- willingness/ability to commit capital;
- access to initial public offerings and new issues;
- access to trading venues and liquidity;
- creditworthiness of the institution.

When conducting the risk assessment of our brokers, we tier them based on their Net Tangible Assets



("NTA"). If the NTA are: more than £100m, they will be placed into tier 1 (max £50mn exposure); if between £40m and £100m they will be in tier 1A (max £20m exposure); between £10m and £40m tier 2 (max £5m exposure); and the rest in tier 3 (max £1m exposure). These are reviewed on an annual basis by the Execution Management Committee.

### **Order execution policy review**

Our goal is to ensure that our execution policy continues to provide for the best possible result for our clients. We monitor the effectiveness of our order execution arrangements and policy on a regular basis and in any event at least annually. Where necessary following these reviews we will amend our policy and where there are material changes will notify clients of those changes.

### **Trade errors**

A trade error is an unintended action or omission in the course of trading. Once a trade error is recognised, the person responsible for the error, or identifying it, must immediately notify the relevant senior manager and the Compliance Officer. If it is possible to cancel the trade prior to settlement, the person responsible should attempt to do this, in a manner to minimise risk or financial loss. If it is not possible to cancel the trade, the transaction should be reversed as soon as possible. If it is not possible or not prudent in the best interests of the client to reverse the trade immediately, senior management will determine whether the reversal of the trade should be delayed and what other course of action to take. We will correct the trade error promptly and efficiently protecting the interests of the client. Clients receive gains and we bear losses from correction trades. We do not net gains and losses.

## Research

JH&P separates dealing from research.

We set a research budget at the beginning of each fiscal year following an assessment of the research requirements of JH&P as a whole. We have agreements with brokers detailing the level of payment required on an annual basis to access the required research. We calculate a basis point charge for research taking into account the client mandate and the required participation in the research, based on the trading strategy – the “Research Charge”. The Research Charge is included in the Fee. For clarity, the Research Charge is part of our Fee and is used only to pay for research – it cannot be taken for profitability for JH&P.

Research is evaluated on a quarterly basis by the Investment Committee taking into account the quality, value added, access level and implied success of the decisions based on the research. The Investment Committee has the flexibility to add new research brokers and remove existing research brokers where they are not adding value to the investment process.

Our Investment Committee conducts an annual review of research and research providers, based upon the following criteria.

### *Quality of research*

- In depth analysis of the company providing the research and the wider market place.
- Quality of the research, including the accessibility of the research as well as assessing more qualitative aspects such as whether it provides an interesting take on the underlying company.
- Sectoral and thematic pieces that explain the wider investment landscape and find new ideas.
- The specific sector analyst and whether they add value, are close (arm’s length) to management and understand the company’s strategic direction.

### *Quality of dissemination*

- The ability of the sales contact to understand our requirements, filter information and ideas and present them in a coherent manner.
- The quality of updates and other research pieces.

### *Breadth of research*

- Whether this is the best quality of research relative to the price paid, taking account of the number of companies and sectors covered.
- The impact of adding value by way of thematic thought pieces and longer-term notes.
- The usefulness of comment on economics and strategy as well as individual company research and how these compare with the others in the market.

### *Conferences*

- Access to a wide range of conferences from which JH&P may derive ‘on the ground’ perspective and help understand market sentiment. JH&P pays for these out of its own funds.

### *Company and Analyst contact*

- The ability to access company management and analysts to discuss our views and understand the investment proposition more completely.

The Investment Committee will also compare the internal review with the industry standard to assess the relative performance of the research brokers.

### **Soft commissions**

We intend that the manner in which research is paid for will be conducted in compliance with the safe harbour under Section 28(e) of the U.S. Securities Exchange Act of 1934.

### **Item 13. Review of Accounts**

Client portfolios are subject to constant review by the Portfolio Manager responsible for the account. They are assisted in ensuring compliance with the investment restrictions contained in the IMA by pre- and post-trade checking of those restrictions. These provide an alert for potential violations. Our systems provide an intra-day notices to compliance and an overnight re-evaluation of the restrictions to reflect end of day valuations. All exceptions and alerts reviewed on a daily basis by Compliance.

All portfolios are also subject to our investment oversight procedures that includes peer reviews on suitability, performance, volatility (including compliance with all stated portfolio restrictions), liquidity and turnover. These reviews ensure strict adherence to the agreed parameters.

We offer to all of our clients the opportunity to speak to our Portfolio Managers on a when requested basis and to participate in annual one-to-one meetings.

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

JHP does pay third party solicitors for referrals outside of the United States. No such arrangements occur in the United States or involve U.S. clients. Should the Firm engage a third party solicitor involving clients in the United States, we will comply with the written disclosure requirements of Rule 206(4)-3.

### **Item 15. Custody**

We do not have custody as this term is defined and used in Advisers Act Rule 206(4)-2. Custody of the assets and cash in client portfolios is the responsibility of independent third party custodians who are appointed by the individual client or fund. Clients receive statements quarterly or monthly and are responsible for raising errors with the custodian. We reconcile our records with those of the custodian.

**Item 16. Investment Discretion**

We have discretionary authority to manage accounts on behalf of its clients. The scope and limits on this discretionary authority are stated in the agreed mandate for each client and are subject to quarterly review. We endeavour to ensure that all mandates for a particular strategy have similar limits on authority to ensure, as far as is possible having regard to individual client wishes, that each investment team manages all the monies which are entrusted to them in a similar style.

**Item 17. Voting Client Securities**

We do not vote proxies for clients. Client should ensure that their custodian provides them with proxy materials to vote, or has the power to vote. Clients should also ensure that their custodians inform us on a timely manner of any proxy voted.

**Item 18. Financial Information**

We have nothing to disclose.

**Item 19 — Requirements for State-Registered Advisers**

Currently, we have no state notice filings or registrations.