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**ADV Part II**

**Waverton Investment Management Limited**

**16 Babmaes Street,**

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[www.waverton.co.uk](http://www.waverton.co.uk)

30th September 2020

*This brochure provides information about the qualification and business practices of Waverton Investment Management Limited ("Waverton", "the firm", "we"). If you have any questions about the contents of this brochure, please contact Harish Shah on +44 20 7484 7496 or [hshah@waverton.co.uk](mailto:hshah@waverton.co.uk). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the SEC) or by any state securities authority. Waverton Investment Management Limited is registered as an investment adviser with the SEC.*

*Additional information about Waverton Investment Management Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2: Material Changes**

This section only covers material changes since the filing of the last Form of ADV Part II (commonly known as the Brochure) since the last annual update of the Brochure dated 30 September 2019.

Waverton remains under the ultimate control of Somers Limited (previously Bermuda National Limited), an investment holding company specialising in the financial services sector.

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## Item 4: Advisory Business

### A. General Description of Waverton Investment Management Limited

Waverton is an investment adviser registered with the SEC under the Investment Advisers Act 1940 with its principal place of business in London, UK. We are also regulated and registered with the Financial Conduct Authority in the UK. Waverton was incorporated on 30<sup>th</sup> July 1986 and is a wholly-owned subsidiary of Waverton Investment Management Group Limited, an unregulated holdings company in the UK. Waverton Investment Management Group Limited is 62.5% owned by Somers Limited, 34.0% by employee shareholders, where no individual owns more than 10%, and 3.5% owned by staff through an Employee Benefit Trust.

### B. Description of Advisory Services

Waverton provides discretionary investment management services to private clients such as individuals, charities, trusts and collective investment schemes (funds). Client portfolios will be managed under a mandate, selected by the client. We have an obligation to ensure that the investment decisions we make are suitable to meet the specific investment objective(s) and risk profile of each client.

Each investment mandate is designed to achieve its investment strategy and constructed using the main asset classes (equities, bonds & cash and alternatives such as funds, hedge funds, property and commodities). Waverton also operate a selection of collective investment schemes (funds), and one or more of these may also be used as part of the overall asset allocation of a portfolio. In doing so, Waverton will comply with the internal Conflicts of Interest Policy and regulatory requirements to ensure that investment of all or part of a client's portfolio into a Waverton fund is in the best interests of the client. The investment mandates are:

**Equity** - Investment primarily in large-cap global equities with flexibility to hold cash in difficult market conditions and also to invest selectively in other asset classes (e.g. Bonds/alternatives) if appropriate.

**Growth** - Investment primarily in global equities. However, there will be a greater degree of allocation to other asset classes than in a pure equity mandate.

**Balanced** - For those who are comfortable with equities representing the core of the portfolio, but are seeking diversification across asset classes. Often appropriate for clients requiring a combination of income and growth.

**Cautious** - A medium risk mandate for clients who wish to participate in long term growth from equities, but prefer a more cautious stance than the typical "Balanced" investor. Likely to have an increased allocation to alternative asset class.

**Defensive** - The lowest risk mandate containing an equity allocation. Will probably have a higher weighting in other asset classes, including alternatives.

**Bonds** - A fixed interest mandate for those who require low risk to capital in nominal terms. May include index-linked and cash equivalent instruments if deemed appropriate.

Each client will have an individual portfolio tailored to meet their investment objectives. Clients may impose reasonable restrictions on investing in certain securities, geographical regions or sectors. Investors in collective investment schemes (funds) will participate in each fund's investment performance, together with all other investors.

### **C. Assets under Management**

As at 30<sup>th</sup> September 2020, Waverton's discretionary assets under management totaled £5.8bn/\$7.5bn. Other assets which Waverton holds for clients either on a non-discretionary basis or administration assets total £751 Million/\$972 Million.

## **Item 5: Fees and Compensation**

### **A. Fees and Compensation**

Generally, investment management fees are charged on the Net Asset Value of the portfolio for US clients at the end of each calendar quarter. Where the client assets are held with a Waverton preferred custodian, Waverton will pay the custodial fees and charges out of its investment management fees. Fees are negotiated individually with clients but a typical fee scale for US clients is 1%. If a new portfolio is established during a quarter, the investment management fee will be pro-rated accordingly. If a portfolio is closed during a quarter, the investment management fee is calculated based on the Net Asset Value of the portfolio on the closure date and is pro-rated accordingly. Clients are charged quarterly in arrears and, usually, fees are debited from the underlying portfolio directly.

Waverton may waive fees with respect to its employees and their related persons.

Waverton does not charge any additional transaction costs. Brokerage charges incurred in buying or selling securities are passed on at cost and reflected in the overall cost of the trade. Waverton does not generally pay compensation to third parties but in the event that it does, any such fees would be disclosed to the client. Where a client's portfolio is invested in securities denominated in a currency other than a client's core/base, Waverton will use all endeavors to obtain the best spot foreign exchange (FX) rate.

Broker charges will be payable by the client on purchases and sales of investments together with all expenses including stamp duties, stamp duty reserve tax and value-added-tax ("VAT") thereon if applicable.

### **B. Conflicts of Interest**

Waverton is authorised and regulated by the Financial Conduct Authority ("FCA"), and must therefore adhere to the FCA's Rules and Principles for Business.

A conflict of interest may occur where Waverton or one of its staff members has an interest (personal or professional) that conflicts with the interests of any of Waverton's clients.

Waverton has established, implemented and maintains a Conflicts of Interest Policy and keeps a record of any circumstances in which a conflict of interest may arise or has arisen as a result of the firm's activities.

Waverton undertakes to identify, manage and monitor any conflicts or potential conflicts that may arise. When making investment decisions for clients, Waverton's staff members must act in clients' best interests and put clients' interests ahead of their own.

### **C. Client Nominated Brokers or Agents**

Waverton only provide a discretionary investment management service, therefore clients do not have the option to nominate a specific broker or agent.

## **Item 6: Performance-Based Fees and Side by Side Management**

Waverton manages a range of open-ended collective investment funds, a small subset of which have performance fees paid to Waverton in the event the performance of the fund exceeds a stated benchmark.

Investment managers may manage both performance fee funds and non-performance fee portfolios at the same time, but conflicts of interest are managed carefully. All investment trades by a single investment manager, particularly in relation to performance fee-paying funds, are monitored closely to ensure one group of funds or clients, with the same investment mandates, are treated fairly and equally. Waverton has a strict policy regarding Initial Public Offerings to ensure no clients are advantaged over others. A copy of Waverton's full Conflicts of Interest Policy is available on request or on our website, [www.waverton.co.uk/legal-and-regulatory](http://www.waverton.co.uk/legal-and-regulatory).

## **Item 7: Types of Clients**

### **A. Client types**

Waverton provides discretionary investment management services to the following private clients both US and non-US:

- Individuals
- Family offices
- Trusts & estates
- Charitable organizations
- Corporations
- Collective investment schemes (funds)

Clients are introduced to Waverton by a variety of sources, including personal recommendation, from client advisors (lawyers, accountants, trust companies etc), existing clients and through industry recognition. Our minimum investment threshold for a direct Waverton client is \$1m, although this can be lowered in certain cases.

### **B. Client Take-On Process**

Typically, potential clients are met by the respective portfolio manager prior to agreeing to take on a client and an appropriate investment objective is agreed. The client will be required to read the relevant Terms & Conditions, which sets out the principal terms of the arrangement, and complete and sign a Waverton Questionnaire. All clients will also be asked to provide appropriate documentation to support Know Your Customer (“KYC”) and Anti Money Laundering (“AML”) obligations, and Waverton will only accept money to manage on the successful completion of this process.



## Item 8: Method of Analysis, Investment Strategies and Risk of Loss.

### A. Method of Analysis & Investment Strategies

Waverton operates a formal Portfolio Construction Process, for the construction of each of its investment mandates. The key parts of the process are:-

**Asset Allocation** – An in-house Asset Allocation Committee is responsible for setting target weightings for each major asset class (equities, bonds, alternatives and cash) and their sub asset classes under each investment mandate. There are appropriate controls in place to ensure for the adherence to these target weightings, whereby the portfolio managers will be measured for their dispersion against the targets for major asset classes for all portfolios, not at the sub asset class level. For example the committee may provide a target weighting, within the Alternatives class, for Gold but it is up to the individual portfolio manager to decide whether he wants to take a position (on investment grounds) or if it is appropriate for the client.

**Stock Selection** – The global equity team is split between 5 regional teams (UK, US, Europe, Japan and Developed & Emerging Asia). Each regional team adopts a fundamental approach to identifying potential investment opportunities, utilising the significant breadth and depth of experience at Waverton. The majority of the investment team sits in one office (including the Fixed Income, Funds & Alternatives teams), engendering a collegiate atmosphere that results in regular discussion and sharing of ideas between colleagues, a long-standing characteristic of the firm. Three of our Asian team are based in Asia.

The regional teams meet regularly with company management across all sectors (approximately 1,000 meetings per year). This provides information from the ground level that enhances our in-house research, and often gives better insights into the health of the broader economy. These meetings in themselves often generate investment ideas worthy of further analysis. We also engage in regular dialogue with other industry contacts and sector specialists to enhance our knowledge and understanding.

Each regional team maintains an active Regional Stock List that represents a focused list of preferred stock recommendations. It is the responsibility of the Stock Selection Committee, consisting of five of our global team, to construct the Global Recommended List which represents Waverton's most compelling investment ideas globally and is populated entirely from the Regional Stock Lists. The Committee meets weekly with ad hoc meetings when required. In addition to the research undertaken by the regional teams, the Stock Selection Committee will occasionally suggest sector or thematic research at the global level. The co-ordination of this work is the responsibility of the Head of Equity Research.

Each investment decision is based on a thorough analysis of the company's financial and business prospects. The main sources of information taken into account include management meetings, annual reports and company press releases.

Waverton aims to invest in companies that can sustainably create wealth for shareholders. We are increasingly aware of the impact of human activity on the environment, and therefore determine that assessing the Environmental, Social and Governance (ESG) data of a company is important. To do this, we

partner with a global, award-winning ESG research company for the provision of related data. This information is considered by the regional teams to create the Regional Stock Lists.

**Portfolio Risk Review Committee** - this in-house Committee reviews the risk of in-house funds and model portfolios.

**Portfolio Dispersions Review Committee** – this in-house Committee reviews any dispersion between the broad asset allocation in client portfolios to the targets set by the Asset Allocation Committee.

**Performance Review Committee** – this in-house Committee reviews the performance across all areas of the business including model portfolios and funds.

**Formal peer reviews** - a review is carried out annually on each portfolio. The role of the reviewer, independent of the portfolio manager, is critical in highlighting where portfolio construction may not be optimal for a particular client's needs or where a portfolio is invested away from the house targets. Where any deviation exists, the portfolio manager is required to provide commentary and explain why that asset allocation meets with the investors' objectives and risk profile.

All portfolios and funds' performance are monitored by in-house performance analysts. Quarterly performance reports are prepared for all portfolios and risk statistics are collated across similar mandates. Where any unusual performance or risk characteristics occur, either from a portfolio manager or a group of clients, these are escalated to senior management. All clients are asked to sign a Client Information Schedule on a periodic basis in which they confirm a risk category appropriate for them. This includes a statement detailing an acceptable tolerance to losses.

## **B. Risk of Loss**

All forms of investment which may be undertaken by Waverton involve risk. Waverton portfolio managers seek to manage accounts so that risks are appropriate to the investment strategy and client risk profile. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients should understand that the value of investments and the income derived from them can fall as well as rise and that they can lose some or all of their capital. Clients should be prepared to bear the risk of such potential losses. The information included in this Brochure does not include every potential risk associated with each investment strategy or particular client account. Clients are required to read the Waverton Investment Management Guidance Notes for Waverton Mandates before selecting an appropriate Mandate and are urged to ask questions about risks and risk factors associated with the selected investment mandate and where appropriate are also required to read any product-specific risk disclosures and brochures to determine whether the chosen investment mandate is suitable for their risk profile, investment objective and financial position.

## **C. Risk Category Associated to Each Investment Mandate**

Each mandate has an associated risk category, which are shown below, together with asset class ranges set by the Asset Allocation Committee:

Mandate	Risk Description *	Time Horizon	Indicative Volatility of Returns †		Indicative Long Term Return §
			Historic	Band	
Equity	High volatility	8 years	16	8 - 23	CPI + 4.5%
Growth	Volatile	7 years	12	6 - 16	CPI + 3.5%
Balanced	Medium volatility; diversified	6 years	10	5 - 13	CPI + 3.0%
Cautious	Medium volatility; highly diversified	5 years	8	4 - 10	CPI + 2.5%
Defensive	Low volatility; highly diversified	4 years	6	3 - 9	CPI + 2.0%
Bonds	Low volatility	3 years	7	3 - 9	CPI + 0.5%

Investors should understand the risks associated to each risk category:

Risk Description	Explanation
High Volatility	A high risk of significant losses in the short to medium term
Volatile	A high risk of losses in the short to medium term
Medium volatility; diversified	A significant risk of some loss over the short to medium term, moderated through asset class diversification
Medium volatility; highly diversified	Risk of meaningful losses is moderated through a high degree of diversification across asset classes
Low volatility; highly diversified	Risk of modest losses, the impact of which will be limited by a high degree of asset class diversification
Low volatility	Risk of modest losses - but bond-only mandates are vulnerable to changes in interest rates and inflation

#### D. Other Important Risk Factors

The attention of the Customer is drawn to the following types of transactions and the risks associated with such transactions.

##### Investment Denominated in Foreign Currencies

If a liability of the Customer in one currency is to be matched by an asset in a different currency, or if Waverton provides services under this Agreement relating to an investment denominated in a foreign currency, a movement in exchange rates may have an effect which may be either favorable or unfavorable on the investment, which may be separate from the gain or loss otherwise experienced on such investment.

##### Investments not readily realizable

Waverton may purchase investments and other assets for the account that are not readily realizable, which means that there is no recognized market for them. It may therefore be difficult to deal in such investments or to obtain reliable information about their value or the extent of the risks to which they are exposed.

##### Smaller Companies/Illiquid Shares

Waverton may invest in smaller companies and/or illiquid shares. Investment in some smaller companies including illiquid shares involves extra risk of losing money. There is often a big difference between the buying price and selling price of such securities. Liquidation of such investments may result in the realization of much less than their acquisition cost. The value of such investments may be subject to volatility and may go down as well as up.

### **Dealing in Securities which may be subject to stabilisation**

Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it.

The FCA allows stabilization in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilisation manager follows a strict set of rules, it is entitled to buy back securities that were previously sold to investors or allotted to institutions that have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation Rules:

- (1) Limit the period when a stabilisation manager may stabilise a new issue;
- (2) Fix the price at which it may stabilise (in the case of shares and warrants but not bonds); and
- (3) Require it to disclose that it may be stabilising but not that it is actually doing so.

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

### **Warrants and Derivatives Risk Warning Notice**

Although warrants and/or derivative instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments the Customer should be aware of the following points.

#### **a) Warrants**

A warrant is a time-limited right to subscribe for shares, debentures, and loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavorable or favorable, in the price of the warrant. The prices of warrants can therefore be volatile.

It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined time-scale then the investment becomes worthless.

The customer should not buy a warrant unless it is prepared to sustain a total loss of the money it has invested plus any commission or other transaction charges.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities, which is exercisable against someone other than the original issuer of the securities, often called a 'covered warrant').

#### b) Off-exchange Warrant Transactions

Transactions in off-exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate the position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

#### c) Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of an investment, and this can work against the Customer as well as for it. Futures transactions have a contingent liability, and the Customer should be aware of the implications of this, in particular the margining requirements, which are set out in numbered paragraph 8 of this risk warning notice.

#### d) Options

There are many different types of options with different characteristics subject to the following conditions:-

##### Buying Options

Buying options involves less risk than selling options because, if the price of the underlying asset moves against the Customer, it can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if the Customer buys a call option on a futures contract and it later exercises the option, it will acquire the future. This will expose the Customer to the risks described under 'futures' and 'contingent liability investment transactions'.

##### Writing Options

If the Customer writes an option, the risk involved is considerably greater than buying options. The Customer may be liable for margin to maintain its position and a loss may be sustained well in excess of

the premium received. By writing an option, the Customer accepts a legal obligation to purchase or sell the underlying asset if the option is exercised against the Customer, however far the market price has moved away from the exercise price. If the Customer already owns the underlying asset which it has contracted to sell (when the options will be known as 'covered call options') the risk is reduced. If the Customer does not own the underlying asset ('uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

#### Traditional Options

Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a 'traditional option'. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to affect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation the Customer may subsequently be called upon to pay margin on the option up to the level of its premium. If the Customer fails to do so as required, the position may be closed or liquidated in the same way as a futures position.

#### e) Contracts for Differences

Futures and options contracts can also be referred to as contracts for differences. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps however, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and the Customer should be aware of these as set out in numbered paragraphs 3 and 4 respectively of this risk warning notice. Transactions in contracts for differences may also have a contingent liability and the Customer should be aware of the implications of this as set out in numbered paragraph below.

#### f) Off-exchange Transactions in Derivatives

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. Waverton Investment Management must make it clear to the Customer if the Customer is entering into an off-exchange derivative transaction.

While some off-exchange markets are highly liquid, transactions in off-exchange or 'non-transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

#### g) Foreign Markets

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, Waverton Investment Management must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default of a foreign firm through whom it deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

#### h) Contingent Liability Investment Transactions

Contingent liability investment transactions, which are margined, require the Customer to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If the Customer trades in futures contracts for differences or sell options, the Customer may sustain a total loss of the margin deposited to establish or maintain a position. If the market moves against the Customer, it may be called upon to pay a substantial additional margin at short notice to maintain the position. If the Customer fails to do so within the time required, its position may be liquidated at a loss and the Customer will be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when the Customer entered the contract.

Waverton Investment Management may only carry out margined or contingent liability transactions with or for the Customer if they are traded on or under the rules of a recognized or designated investment exchange. Contingent liability investment transactions which are not so traded may expose the Customer to substantially greater risks.

#### i) Limited Liability Transactions

Before entering into a limited liability transaction, the Customer should assess the extent of the loss liability on each transaction.

The amount the Customer can lose in limited liability transactions will be less than in other margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of the loss will be subject to an agreed limit, the Customer may sustain the loss in a relatively short time. The Customer's loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

#### (j) Collateral

If the Customer deposits collateral as security with Waverton Investment Management, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of the Customer's collateral, depending on whether the Customer is trading on a recognized or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as the Customer property once dealings on its behalf are undertaken. Even if the Customer's dealings should ultimately prove profitable, the Customer may not get back the same assets that it deposited, and may

have to accept payment in cash. On request, Waverton Investment Management will provide the Customer with a statement detailing how its collateral will be dealt with.

#### k) Suspensions of Trading

Under certain trading conditions, it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit the Customers losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

#### l) Clearing House Protections

On many exchanges, the performance of a transaction by Waverton (or third party with whom it is dealing on the Customers behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most cases to cover the Customer, and may not protect the Customer if Waverton Investment Management or another party defaults on its obligations to the Customer. On request, Waverton must explain any protection provided to the Customer under the clearing guarantee applicable to any on-exchange derivatives in which the Customer is dealing. There is no clearing house for traditional options, or normally for off-exchange instruments which are not traded under the rules of a recognized or designated investment exchange.

#### m) Insolvency

Waverton's insolvency or default, or that of any other brokers involved with the Customers transaction, may lead to positions being liquidated or closed out without the Customers consent. In certain circumstances, the Customer may not get back the actual assets that it lodged as collateral and the Customer may have to accept any available payments in cash. On request, Waverton must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with the Customers transactions.



## **Item 9: Disciplinary information**

There are currently no disciplinary or legal/regulatory proceedings or investigations with either customers or our supervisory authorities outstanding.

## **Item 10: Other Financial Industry Activities or Affiliations**

### **A. Broker-Dealer, Futures Commissions Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status**

Waverton is not registered as a securities broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor nor is it an associated person of any of these entities.

### **B. Relationships Material to Waverton Investment Management Limited**

Waverton is under the ultimate control of Somers Limited (Somers). Somers is an investment holding company specializing in the financial services sector. It currently has investments in the banking and asset financing sectors. Somers' primary investment is a 100% interest in Bermuda Commercial Bank Limited, one of Bermuda's four licensed banks which focus on corporate and private wealth.

However, Waverton does not have registered broker-dealers which are affiliates of Somers who are approved brokers for its US clients and therefore no affiliates of Somers act as broker or agent in effecting securities transactions for Waverton's US clients. Waverton has no other arrangements that are material to its advisory business or its clients with any other Related Person.

### **C. Related Persons & Material Conflicts of Interest with Clients**

Waverton's immediate parent company, Waverton Investment Management Group Limited, owns a wholly-owned subsidiary, Timothy James & Partners Holdings Limited ("TJP"), which is set up to provide investment advisory and financial planning services to clients, predominantly based in the UK. Whilst there may be clients being advised to Waverton from TJP, these recommendations are conducted under an independent recommendation basis. Both Waverton and TJP actively manage these conflicts.

Waverton is also a discretionary investment management for a range of pooled investment vehicles into which some Waverton clients are invested. To manage the conflicts, Waverton does not charge a fee for any portfolio of a client's portfolio invested into these pooled investment vehicles. Further, US clients are invested directly into the underlying securities, rather than pooled investment vehicles.

Waverton may have relationships with the Related Persons referred to below; however this is in the natural course of their dealings and as such conflicts will not arise.

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- other investment adviser or financial planner
- banking or thrift institution
- accountant or accounting firm
- lawyer or law firm
- pension consultant

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

### **A. Codes of Ethics**

Waverton recognises that, as a fiduciary to its clients, it owes a duty to all of its clients to avoid conflicts of interest and to act in the best interests of its clients. Accordingly, each employee of Waverton is required to comply with firm-wide policies and procedures on personal trading (see below). Further, no employee of Waverton may disclose to any person any confidential information regarding transactions in any investment or security whatsoever being purchased or sold by a client of Waverton, or being considered for such purchase or sale. This prohibition does not apply to disclosures necessary between employees solely in connection with their performance of duties for a client of Waverton.

### **B. Personal Trading**

All employees are required to comply with the Personal Account Dealing Policy (personal trading) in order to ensure that their interests do not conflict with the interests of clients. All employees must:

- Report their personal securities holdings and transactions
- Obtain pre-approval for transactions in certain investments
- Periodically report their personal securities transactions and holdings to Waverton's Compliance Department
- Deal subject to a minimum holding period

### **C. Securities in Which Adviser or a Related Person Have a Material Financial Interest**

Waverton, does not, as principal buy securities for itself from, nor sell securities it owns to its clients. It is possible that, on rare occasions in order to ensure a client does not go overdrawn or to correct a trading error, Waverton may on its own account trade or sell securities it owns or buy securities from clients. Such transactions will always be in accordance with Waverton's general obligation as a fiduciary to act in the best interests of its clients and to obtain the best price and execution for its clients.

Waverton does not complete security transactions for commission, nor does it execute any securities transactions on behalf of its US clients through US registered affiliated brokers. Waverton does not execute transactions for non-clients in which client securities are sold to or bought from a brokerage customer. Further, Waverton does not have US registered broker-dealers which are affiliates of Somers who are approved brokers for its American clients and therefore no affiliates of Somers act as broker or agent in effecting securities transactions for both Waverton's US clients and the person on the other side of the transaction. Waverton may engage in cross-agency transactions for clients subject to the rules of best execution and suitability.

Waverton may affect a trade on behalf of US clients in securities issued by a company in which an affiliate of Waverton has a financial interest or position. For example, Waverton may purchase on behalf of clients shares in Waverton Funds (discretionary managed pooled investment vehicles). Waverton may also recommend products in which Somers companies and/or affiliates have a financial interest. Related

persons of Waverton, including Somers, engage in various types of investment banking activities with issuers of securities which may be recommended by, or purchased on behalf of, its clients. Waverton will not generally have access to detailed information concerning the securities positions of its affiliates. Accordingly, while Waverton may, in the ordinary course of business make purchases/sales for clients in securities in which affiliates may have a financial interest or position, such actions will be made without regard to such positions. Sometimes, however, Waverton may have access to confidential information or be otherwise restricted from dealing in certain securities. As a result Waverton may not initiate a transaction it may otherwise have done.

Except in exceptional circumstances, as referred to above, Waverton does not buy or sell securities for itself. Employees of Waverton may from time to time buy or sell securities for their personal accounts in situations where Waverton intends to buy or sell the same securities for, or recommend the purchase or sale of the same securities to its US clients. Waverton and its employees must comply with all applicable financial services laws in offering such investment opportunities to Waverton's US clients. Waverton may manage a portfolio for knowledgeable employees in a fashion that is similar to the portfolios managed for Waverton's clients. Transactions in securities to be made for the personal interest of an employee of Waverton are subject to Waverton's procedures for personal account dealing. Accordingly, employee trades are subject to pre-clearance requirements, as well as trading prohibitions designed to avoid conflicts of interest with clients.

A copy of Waverton's Code of Ethics is available to any client or prospective client on request.

## **Item 12: Brokerage practices**

Waverton has an obligation to comply with best execution and will only deal with brokers who are able to similarly comply. Waverton will aim to take all reasonable steps to obtain the best possible result taking into account the criteria and factors set out below, subject to any instruction given by our client (detailed further below). Waverton is responsible for elements of the trade where we have exercised discretion.

Waverton places a significant level of reliance on executing brokers to comply with its own best execution obligation.

The brokers we use are contractually obliged to provide best execution and our internal Dealing team routinely monitor the bid/offer spread, commission paid and prices achieved. As we are a smaller-sized firm, market impact costs are typically low and accordingly, are only relevant in a small proportion of cases.

### **Best execution factors**

Waverton uses the factors set out below when executing Client Orders:

- Price
- Costs
- Speed of execution
- Likelihood of execution
- Speed of settlement
- Likelihood of settlement
- Size of the order
- Nature of the order
- Any other consideration relevant to the execution of the order

Waverton as a firm does not enter in any soft dollar arrangements.

Waverton's Best-Execution policy is available on our website [www.waverton.co.uk/legal-and-regulatory](http://www.waverton.co.uk/legal-and-regulatory)

### **Item 13: Review of accounts**

Those portfolios that have had investment restrictions imposed on them by the client are reviewed on a trade-by-trade basis by the portfolio manager and the Compliance department.

Each portfolio is reviewed by way of a written report annually for suitability by its designated portfolio manager. The “secondary” portfolio manager on each portfolio will review the portfolio on an annual basis, to ensure it is being managed in compliance with the client’s objective and risk profile, and with Waverton’s investment policy.

On a quarterly basis, the performance and risk analysts prepare consolidated performance reports on managers’ portfolios and strategy groups, detailing relative performance figures, risk characteristics and dispersion of returns. Where a portfolio deviates outside the agreed risk tolerances of the client’s mandate, the portfolio is reviewed by internal committees to determine the route cause and whether any remedial action is required.

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

Not applicable

## **Item 15: Custody**

Waverton does not have physical custody of client assets, but has control of the assets held by our custodians. Our custodians are required to report separately on a quarterly basis for US clients. Waverton also will report quarterly, providing clients with a full investment report and valuation of the portfolio. Waverton does not have sight of the custodian reports but will ensure that to the best of our ability all reports are reconciled on a regular basis between Waverton and our custodians.



## **Item 16: Investment Discretion**

Waverton will have absolute discretion in the selection of investments and management of the client portfolio but will exclude the purchase of securities on which the client has specifically placed restrictions. Waverton will receive discretionary investment management authority prior to account set up, to act in the capacity of discretionary investment manager, as agreed in the Terms & Conditions.

Where necessary, Waverton will take instructions from individuals acting on the clients' behalf in accordance with a Power of Attorney.

Where Waverton has entered into a discretionary agreement with a client it has discretion to decide which securities, and the amount thereof, are bought and sold, and which dealer or broker is to be used. In making these decisions Waverton must act within its investment mandate selected by the client, any sector, geographical or other restrictions imposed by the client and in accordance with FCA, SEC rules and regulations and the Terms & Conditions.

Certain investments may be appropriate for more than one client. Investment decisions for clients will be made after consideration of factors such as their current holdings, availability of cash for investment and the size of their investments, investment objectives and risk profile. In some cases, a particular investment may be bought or sold for one or more clients. Similarly, a particular investment may be bought for one or more clients when one or more other clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more clients on the same day. In such event, such transactions will be allocated among clients in a fair and reasonable manner.

It is possible that Waverton may inadvertently receive material, non-public information relating to publicly traded securities. In the event of such an occurrence Waverton employees will follow internal processes and cease trading for any client in such securities during the period when such information remains outside the public domain and could give advantage.

Where it is appropriate, and within the client's mandate and risk criteria, Waverton may from time to time acquire on behalf of clients securities issued in initial public offerings.

If Waverton decides to purchase or sell the same securities for several clients at approximately the same time it may, subject to compliance with requirements under applicable financial services law, aggregate such orders. Transactions will be averaged as to price and transaction costs and allocated among the relevant clients. An order for a client may only be aggregated with other client orders where it is unlikely that this will work to the disadvantage of other clients. Whenever it is believed that the aggregation of an order from a client with other orders would be disadvantageous to that client then that client order is executed on its own and before any other orders received subsequent to that client order.

## **Item 17: Voting Client Securities**

Waverton acts as discretionary manager and will therefore be entitled, at its discretion and without notice to the client, to procure or to refrain from procuring the exercise of voting and other rights and privileges attaching to the investments comprised in the portfolio, and to accede or refrain from acceding, to any compromise or arrangement in relation to any scheme of arrangement or scheme for reconstruction or amalgamation involving any such investment.

To assist with voting processes, Waverton has engaged with an outsourced service provider to assist with the provision of proxy voting. Waverton's approach is to vote in a manner that we believe is aligned with the protection and creation of shareholder value, which may not always support the Board of investee companies. Given the nature of our business and the relatively small size of our shareholdings in relation to the market capitalisation of investee companies, we have decided to vote on the largest 100 direct equity holdings and all holdings held within internally managed funds. Combined, these account for approximately 80% of total assets under management. Further details on Waverton's voting process is available within the Stewardship Code Policy and the Engagement Policy, both of which are available on the website, [www.waverton.co.uk/legal-and-regulatory](http://www.waverton.co.uk/legal-and-regulatory).

## **Item 18: Financial Information**

Waverton does not hold client assets as custody. All client assets are held with our custodians and are segregated from the other assets of the custodian. Client cash is deposited with a range of high quality regulated banks, which are subject to an annual due diligence review. No one financial institution will have more than 30% of our clients' cash at any one time.

All client fees are payable in arrears on a quarterly basis.

## **Item 19: Requirements for State Registered Advisers**

Not applicable