

**Item 1 Cover Page**

# **LarrainVial Asset Management Administradora General de Fondos SA**

Avenida Isidora Goyenechea 2800  
15<sup>th</sup> Floor, Las Condes  
Santiago, Region Metropolitana  
Chile  
Office: +562 2339-8500  
<http://www.larrainvial.com>

## **Form ADV Part 2A**

### **Uniform Application for Investment Adviser Registration**

**December 30, 2019**

This brochure (the “*Brochure*”) provides information about the qualifications and business practices of LarrainVial Asset Management Administradora General de Fondos SA (“*LarrainVial Asset Management*”). If you have any questions about the contents of this Brochure, please contact us via telephone at +562 2339-8500 or via email [ComplianceLVAM@larrainvial.com](mailto:ComplianceLVAM@larrainvial.com). 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.

LarrainVial Asset Management is a registered investment adviser. Registration with the SEC does not imply that LarrainVial Asset Management or its employees possess a certain level of skill or training.

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

## **Item 2 Material Changes**

There have been no material changes in Larrainvial Asset Management Administradora General de Fondos S.A.policies, practices or conflicts of interest during the recent fiscal year or since this brochure was last updated.

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## Item 4 Advisory Business

### *Organization and Ownership*

LarrainVial Asset Management was founded in 1998 as the asset management division of Larrain Vial SpA (the “*Larrain Vial Group*”). Larrain Vial Group is a leading company in the Latin American financial services industry, providing advisory and transaction services for individual and institutional clients. LarrainVial Asset Management is currently the largest independent non-bank owned mutual fund manager in Chile.

LarrainVial Asset Management is owned 100% by LVCC S.A., a holding company that is 75% owned by Larrain Vial Group and 25% owned by Consorcio Financiero S.A., a leading Chilean Insurance Group.

LarrainVial Asset Management provides investment advisory services to a wide variety of investment vehicles (the “*Funds*”), including open and closed-end investment funds covering, amongst others, key Latin American markets including: Brazil, Chile, Colombia, Peru and Mexico. LarrainVial Asset Management’s platform of investment alternatives encompasses over 56 Funds. In addition, LarrainVial Asset Management was the first Chilean asset management company to offer SICAV funds domiciled in Luxembourg via a UCITS vehicle launched in 2011.

LarrainVial Asset Management also manages separate accounts for high net worth individual and institutional clients (the “*SMA Clients*” and, collectively with the Funds, the “*Clients*”).

SMA Clients may impose certain investment guidelines, such as a restricted securities list. LarrainVial Asset Management tailors its advisory services to conform to any such guidelines imposed by SMA Clients.

LarrainVial Asset Management does not participate in wrap fee programs.

As of December 30, 2019, LarrainVial Asset Management managed US\$5.978.865.631 in assets. All assets were managed on a discretionary basis.

## Item 5: Fees and Compensation

Currently, each investor in each Fund (each, a “*Fund Investor*”) is a person other than a “U.S. Person” as defined in Regulation S under the Securities Act of 1933, as amended (the “*1933 Act*”). It is currently intended that any Funds marketed to U.S. Persons in the future will be open to investment by, and this Brochure will only be provided to, U.S. Persons that are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “*1940 Act*”). In addition, LarrainVial Asset Management currently only markets managed accounts to high net worth individuals and institutions that are non-U.S. Persons.

The rate of LarrainVial Asset Management’s fees varies depending upon factors such as the type of account, the asset classes involved and the amount of assets being managed. All advisory fees and compensation borne by a SMA Client or Fund Investor, and the specific manner of calculating such fees and compensation, are set forth in detail in the advisory contract between such SMA Client and LarrainVial Asset Management (each, an “*Advisory Agreement*”) or the applicable Fund’s prospectus (each, a “*Fund Prospectus*”), as the case may be.

LarrainVial Asset Management charges two types of fees: asset based fees (the “*Advisory Fee*”) and performance based fees (the “*Performance Fee*”).

Generally, each Fund Investor will pay an advisory fee based on the amount of the Fund Investor’s investment in the Fund. In addition, some of the Funds also charge a Performance Fee equal to a portion of the Fund Investor’s net profit. The Advisory Fees and/or Performance Fees charged to any Fund Investor may be waived or reduced and is intended to be waived on investments made by LarrainVial Asset Management, its affiliates and their principals and employees. The amounts of the Advisory Fees and Performance Fees are generally calculated by the Fund’s agents and paid to LarrainVial Asset Management directly from the Fund’s assets.

Each SMA Client will pay an Advisory Fee based on the amount of assets it has under management with LarrainVial Asset Management. The amounts of Advisory Fees charged to SMA Clients may be individually negotiated, based on client specific factors. Generally Advisory Fees are calculated and billed quarterly. Advisory Fees for all SMA Clients are calculated and billed in arrears. The SMA Client can direct that the Advisory Fees be deducted from its account or may choose to pay from a separate account.

In addition to paying Advisory Fees and, if applicable, Performance Fees, Fund Investors and SMA Clients will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs (See Item 12 for a Description of LarrainVial Asset Management’s brokerage practices); interest expenses; research expenses; taxes, duties and/or other governmental charges on transfer; transfer and registration fees and/or similar expenses; fees charged by mutual funds, ETFs and other investment funds; costs associated with foreign exchange transactions; and any and all other investment costs, expenses and fees.

In addition to the fees stated above, there are additional fees borne by the Fund Investors and SMA Clients, including, but not limited to, as legal and compliance expenses; administrative expenses; and external accounting, audit and tax preparation expenses. Fund Investors will also bear their allocable share of all other organizational and ongoing operating expenses of the

applicable Fund as set forth in the prospectus of such Fund. Furthermore, Fund Investors and SMA Clients may be charged additional fees by their service providers, such as a fee from a bank to wire money.

Neither LarrainVial Asset Management nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## Item 6: Performance Based Fees and Side By Side Management

As discussed in Item 5, LarrainVial Asset Management charges some share classes of certain Funds a Performance Fee.

Generally, the Performance Fee is calculated annually as of each fiscal year end (and with respect to any intra-year redemption on the date of such redemption) and is made as soon as practical thereafter.

LarrainVial Asset Management charges the following three different varieties of Performance Fees:

- Absolute Performance Fee – LarrainVial Asset Management is entitled to a Performance Fee when the Fund or SMA Client account has a net profit in a year, subject to a “high water mark” provision that is intended to ensure that no Fund Investor or SMA Client is subject to a Performance Fee until the Fund Investor or SMA Client has recouped any prior losses;
- Absolute Performance Fee subject to a hurdle – Similar to the above but requires that the Fund or SMA reach a fixed level of return before LarrainVial Asset Management is entitled to a Performance Fee; and
- Relative Performance Fee – Performance of the SMA Client account or Fund is measured against a benchmark index (the “*Benchmark Index*”). LarrainVial Asset Management is entitled to a Performance Fee if the performance of the SMA Client account or Fund is higher than the performance of applicable Benchmark Index.

There are certain risks and conflicts of interest associated with the Performance Fee including, but not limited to, that the Performance Fee:

- Once paid, is not subject to claw-back in the event of subsequent losses to a Fund Investor; thus, a Fund Investor may be subject to a Performance Fee even where it did not receive a profit during the term of its investment in the Fund;
- Is calculated on a basis that includes unrealized appreciated as well as realized appreciation of a Fund’s assets and, as a result, may be greater than if it were based solely on realized gains;
- May create an incentive for LarrainVial Asset Management to make investments that are more speculative than would be the case without such Performance Fee; and
- In the case of a Performance Fee that is determined relative to a Benchmark Index, the Performance Fee is payable if the SMA Client account or Fund outperforms the specific Benchmark Index. This means that if both the Benchmark Index and the SMA Client account or Fund suffer a loss, but the SMA Client account or Fund suffers a small loss, LarrainVial Asset Management will still be entitled to a Performance Fee.

Because LarrainVial Asset Management has responsibility for managing more than one account, often with different fee structures (e.g., side-by-side management), potential conflicts of interest can arise. LarrainVial Asset Management undertakes to act in a fair and equitable manner and to resolve and mitigate conflicts or potential conflicts in a timely manner.

One potential conflict of interest is that there is a potential for providing preferential treatment to one Client account over others in terms of allocation of management time, resources, and investment opportunities. Second, LarrainVial Asset Management may have an incentive to make investments that are more speculative for the accounts of Clients that are subject to the highest Performance Fee in order to increase its potential compensation with respect to such clients. See Item 12 *Brokerage Practices* for a discussion of LarrainVial Asset Management's trade allocation procedures.



## Item 7: Types of Clients

As discussed in Item 4, LarrainVial Asset Management provides investment management services to the SMA Clients and the Funds.

Currently, all SMA Clients are non-U.S. Persons and include both high net worth individuals and institutions. In the future, LarrainVial Asset Management may manage separate account for high net worth individuals or institutional investors that are United States persons, including, but not limited to, corporate and public pension funds, sovereign wealth funds, endowments, foundations, family offices and other investment advisers.

Requirements for maintaining any minimum investment in a separately managed account are individually negotiated and set forth in the relevant advisory contract.

Currently all Fund Investors are non-U.S. Persons. Any Fund that accepts U.S. Persons as Fund Investors in the future will require such Fund Investors to be (i) “accredited investors” as defined in Regulation D under the 1933 Act; and (ii) and “qualified purchasers”, as defined under the 1940 Act. The minimum initial investment in each Fund is set forth in such Fund’s prospectus.

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

LarrainVial Asset Management's strategies focus on active management, with a strong focus on both absolute and relative performance and repeatable alpha generation. LarrainVial Asset Management implements a collaborative and dynamic investment approach to capture top-down and bottom-up elements. The different strategies are managed by highly skilled and experienced portfolio managers, and supported by various sector specialists.

Many of LarrainVial Asset Management's strategies center on Latin American markets. LarrainVial Asset Management has a long track record of managing Latin American portfolios. The majority of the strategies have, on average, been in existence for at least 5 years. Some equity strategies have track records exceeding 10 years, and some fixed income strategies have track records exceeding 12 years. Being a locally based manager has enabled LarrainVial Asset Management to establish and maintain solid relationships with companies and market participants. LarrainVial Asset Management is able to enhance its understanding of crucial internal and external factors due to its close proximity. Portfolio managers and analysts visit companies and meet with company representatives on a regular basis. LarrainVial Asset Management believes these capabilities help position it to capitalize on the information asymmetries across the emerging Latin American markets.

LarrainVial Asset Management also has strategies in the areas: balanced; credit; money market, international equities and Private Real Estate.

LarrainVial Asset Management has its own buy-side research department to further support the portfolio managers. Portfolio managers and analysts are further supported by a robust in-house infrastructure providing research, risk management, dealing capabilities and client account management support. LarrainVial Asset Management places a strong emphasis on risk management and takes a multi-dimensional approach to risk management. Risk controls and risk awareness runs through all stages of the investment process. LarrainVial Asset Management believes the majority of returns come from understanding the market value of risk.

LarrainVial Asset Management believes that adherence to a well-defined and disciplined investment process, supplemented by a comprehensive, sound and independent approach to risk management ensures that it is well placed to help reduce the risk its Clients' accounts (collectively, "*Client Accounts*").

THE FOLLOWING IS A BRIEF SUMMARY OF THE MATERIAL RISKS ASSOCIATED WITH LARRAINVIAL ASSET MANAGEMENT'S METHODS OF ANALYSES AND INVESTMENT STRATEGIES. THE FOLLOWING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS ASSOCIATED WITH ANY STRATEGY.

Potential Loss of Investment. No guarantee or representation is made that LarrainVial Asset Management's investment strategies will be successful. Prospective investors should be aware that the value of their investment and the return derived from LarrainVial Asset Management's investment strategies can fluctuate. In addition, there can be no assurance that LarrainVial Asset Management will achieve its investment objective on behalf of any Client. As is true of any

investment, there is a risk that an investment in LarrainVial Asset Management strategies will be lost entirely or in part. The LarrainVial Asset Management strategies are not a complete investment program and should represent only a portion of a Client's investment assets.

Past performance of LarrainVial Asset Management in any venture is not indicative of future performance.

Investment Strategies Are Speculative. LarrainVial Asset Management's strategies can be considered speculative in that LarrainVial Asset Management will seek to anticipate movements in the price level or volatility of individual securities, market segments and the financial markets as a whole and to position LarrainVial Asset Management's investments to benefit from such expected movements. Successful implementation of this strategy requires accurate assessments of general economic conditions, the prospects of individual companies or industries, and the future behavior of other financial market participants. Even with the most careful analysis, the direction of the financial markets is often driven by unforeseeable economic, political and other events and the reaction of market participants to these events. There can be no assurance that LarrainVial Asset Management's strategies will be successful and an unsuccessful strategy may result in significant losses to Clients.

Non-U.S. Investments. LarrainVial Asset Management invests in securities of non-U.S. companies and foreign countries and in non-U.S. currencies. Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict LarrainVial Asset Management's investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to United States standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. There is also less regulation, generally, of the securities markets in foreign countries than there is in the United States.

Trading on Non-United States Exchanges. LarrainVial Asset Management may trade on non-U.S. exchanges where the protections provided by U.S. regulations do not apply. Some non-U.S. commodity exchanges, for example, in contrast to U.S. exchanges, are "principals' markets" in which performance with respect to a commodity interest contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. Due to the absence of a clearing house system on certain foreign markets, such markets are significantly more susceptible to disruptions than are U.S. exchanges

and, therefore, trading thereon potentially is subject to greater risks than trading in the United States. When trading on non-U.S. exchanges, a Client will be subject to the risk of the inability of or refusal by its counterparties to perform with respect to its contracts with it. LarrainVial Asset Management also may have limited access to certain trades.

Currency Exchange Exposure. LarrainVial Asset Management may invest in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. Certain of the Funds, however, value their securities and other assets in U.S. dollars. LarrainVial Asset Management may seek to hedge non-U.S. currency exposure, but it may not always be practicable to do so. To the extent unhedged, the value of the Funds' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Funds make their investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Funds' securities in their local markets and may result in a loss to such Funds. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Funds' non-U.S. dollar investments. Furthermore, the Funds may incur costs in connection with conversions between various currencies.

Political & Economic Risks. The value of a Client Account may be affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation and interest rates and other political and economic developments in law or regulations and, in particular, the risk of, and change in, legislation relating to the level of foreign ownership.

Emerging Market Risks. Many of the countries in Latin America are emerging markets, and as a consequence are substantially smaller, less liquid, less regulated and more volatile than major securities markets, such as those in more developed economies. The limited liquidity of securities in the Latin American markets could also affect LarrainVial Asset Management's ability to acquire or dispose of securities at the price and at the time it wishes to do so. Market volatility of a large enough magnitude can sometimes weaken what is deemed to be a sound fundamental basis for investing in a particular market. Investment expectations may therefore fail to be realized in such instances.

Inflation. Some countries in Latin America, such as Argentina, have experienced extremely high rates of inflation in the past. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries. Therefore, the performance of the LarrainVial Asset Management could be affected by rates of inflation in the countries in which the LarrainVial Asset Management invests.

Small and Medium Capitalization Companies. LarrainVial Asset Management invests in the stocks of companies with small- to medium-sized market capitalizations, including growth stage companies. Those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with

the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be less liquid.

Some small companies have limited product lines, distribution channels and financial and managerial resources. Some of the companies in which LarrainVial Asset Management may invest may have product lines that have, in whole or in part, only recently been introduced to market or that may still be in the research or development stage. Such companies may also be dependent on personnel (including key personnel) with limited experience.

High Trading Volume. LarrainVial Asset Management may employ strategies that require a high volume of trading and turnover. Thus, their brokerage commissions may be greater than for other investment entities of similar size, which may decrease their relative profitability.

Fixed-Income Securities. The value of fixed-income securities will change as the general levels of volatility and interest rates fluctuate. Investments in lower rated or unrated fixed-income securities, while generally providing greater opportunity for gain and income, usually entail greater risk, including the possibility of default or bankruptcy of the issuer of such securities.

Certain Risks Peculiar to Forward Trading. LarrainVial Asset Management may enter into forward contracts for the trading (on cash markets and otherwise) of currencies, metals, energy products and other items with United States and other countries’ banks and dealers. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract. Banks and dealers act as principals in such markets. No U.S. government agency regulates trading in forward contracts. The principals that deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell.

Highly Volatile Markets. The prices of certain assets, including futures and options prices, may be highly volatile. Price movements of forward contracts, futures contracts and other assets may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Client Account may also be subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Equity Securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments.

**Illiquid Investments.** LarrainVial Asset Management may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and LarrainVial Asset Management may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

**High Yield Securities.** Certain of LarrainVial Asset Management's strategies may invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, LarrainVial Asset Management may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. Investing in high yield debt securities involves risks, which are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default; (ii) industry, market and economic risk; (iii) interest rate fluctuations; and (iv) greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater upward and downward movement of the value of a Client's Account. Furthermore, the value of high yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Adverse market, credit or economic conditions could make it difficult at certain times to sell certain high yield securities.

**Investments in Distressed Securities.** LarrainVial Asset Management may invest in securities and private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties, such as loans, loan participations, claims held by trade or other creditors, non-performing and sub-performing mortgage loans, partnership interests and similar financial instruments, most of which are not publicly traded and which may involve a substantial degree of risk. A Client Account may lose a substantial portion or all of its investment in a troubled loan or equity interest or may be required to accept cash or securities with a value less than their share of the investment. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult for LarrainVial Asset Management to obtain information as to the true condition of such entities.

**Call Options.** LarrainVial Asset Management may sell and purchase call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received on the option, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes

the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Put Options. LarrainVial Asset Management may sell and purchase put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received on the option, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Commodity Interests. Trading in commodity interests may involve substantial risks. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and a Client Account may be required to maintain a position until exercise or expiration, which could result in losses.

Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or securities and other financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent LarrainVial Asset Management from promptly liquidating unfavorable positions and subject a Client Account to substantial losses. In addition, LarrainVial Asset Management may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the U.S. Commodity Futures Trading Commission (the “CFTC”) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks.

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets.

Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause temporary price distortions. Successful use of stock index futures contracts by LarrainVial Asset Management Fund also is subject to LarrainVial Asset Management's ability to correctly predict movements in the direction of the market.

Derivative Instruments. LarrainVial Asset Management may use various derivative instruments, that seek to modify or replace the investment performance of particular financial instruments on a leveraged or unleveraged basis. Derivative instruments may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market-value, with a resulting fluctuation in the amount of profits and losses. In addition to this volatility risk, derivative instruments are subject to additional risks including, but not limited to, leverage, interest rate and credit risk, liquidity risk, tracking risk (the risk of an imperfect or variable degree of correlation between the value of the derivative and that of the underlying asset), liquidity risk, world and local market price and demand, and general economic factors and activity. Derivative instruments also have counterparty risk and may not perform in the manner expected by LarrainVial Asset Management or the counterparties, thereby resulting in greater loss or gain to the Client Accounts.

Use of Leverage; Margin. LarrainVial Asset Management may leverage investment positions by directly or indirectly borrowing funds from securities broker-dealers, banks or other lenders. LarrainVial Asset Management also may "leverage" its investment return with options, swaps, forwards and other derivative instruments that are inherently leveraged, and other forms of direct and indirect borrowings. The amount of borrowings that a Client Account may have outstanding at any time may be large in relation to its capital. The cumulative effect of the use of leverage by LarrainVial Asset Management, on behalf of any Client Account, in a market that moves adversely to the Client Account's investments could result in a loss to the Client Account that would be greater than if leverage were not used.

In general, LarrainVial Asset Management's use of short-term margin borrowings will result in certain additional risks to Client Accounts. For example, should the securities that are pledged to brokers to secure the Client Account's margin accounts decline in value, or should brokers from which it has borrowed securities increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then the Client Account could be subject to a "margin call," pursuant to which the Client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a precipitous drop in the value of the assets of a Client Account, it might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses.

Short Selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying



security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to closeout the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Counterparty Credit Risk. Many of the markets in which the LarrainVial Asset Management effects transactions are “over-the-counter” or “inter-dealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. To the extent that LarrainVial Asset Management invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, on these markets, the relevant Client Account may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This exposes the Client Account to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Client to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where transactions in respect of a Client Account are concentrated with a single or small group of counterparties. Unless otherwise explicitly stated in applicable Advisory Agreement or Fund Prospectus, LarrainVial Asset Management is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions in respect of a Client with one counterparty. The ability of the LarrainVial Asset Management to transact business with any one or number of counterparties, the lack of any independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Client.

Competition. The investment management industry in general, and the capital markets in which the LarrainVial Asset Management strategies focus, are extremely competitive. In pursuing their trading methods and strategies, the strategies compete with trading firms, including many of the larger investment advisory and private investment firms, as well as institutional and industry investors and, in certain circumstances, market-makers, banks and broker-dealers. Some competitors of LarrainVial Asset Management may have substantially greater financial resources, larger research staffs, and more investment professionals than LarrainVial Asset Management has or expects to have in the future.

Securities Believed to Be Undervalued or Incorrectly Valued. Securities that LarrainVial Asset Management believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame LarrainVial Asset Management anticipates. As a result, substantial losses could occur in any particular instance.

Hedging Activities. If LarrainVial Asset Management analyzes market conditions incorrectly or employs a risk reduction strategy that does not correlate well with a Client’s investments, the risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. Risk reduction techniques may also increase the volatility of the relevant Client

Account(s) and/or result in a loss if the counterparty to the transaction does not perform as promised. Moreover, even where LarrainVial Asset Management employs “stop-losses” on individual positions, there is no assurance that such an order will be executed at or near the desired “stop-loss” level.

Risk of Loss Due to the Bankruptcy or Failure of Counterparties, Brokers and Exchanges. The Client Accounts are subject to the risk of the insolvency of its counterparties (such as broker/dealers, banks or other financial institutions, exchanges and clearinghouses). In such event, a Client may have no access to the assets held by such counterparty while proceedings are ongoing, which could be a matter of years and potentially subject the Client to material losses or, where the Client is a Fund, severely restrict the Fund’s ability to conduct its operations. Ultimately, a Client may be unable to recover 100% of the assets held by such counterparty.

There are increased risks in dealing with offshore brokers, as well as unregulated trading counterparties, including the risk that assets may not benefit from the protection afforded to “customer funds” deposited with U.S. regulated brokers and dealers. In this event, a Client Account would be an unsecured creditor of the counterparty, and as such, its claims to the assets of the offshore broker or other counterparty would rank below those of “customers.”

Even where proper segregation of a Client Account’s assets exists, in the event of the insolvency of a U.S. regulated broker, the Client account may be subject to a risk of loss as its recovery would be limited to its pro rata share (together with all other customers of such broker) of “customer funds.” In certain past commodity broker insolvencies, customers have, in fact, been unable to recover from the broker’s estate the full amount of their “customer funds.” In the case of any bankruptcy, a Client Account might recover, even in respect of property specifically traceable to the Client Account, only a pro rata share of all property available for distribution to all of the broker’s clients

Regulatory Change. The regulation of global securities markets has undergone substantial change in recent years, and such change is expected to continue for the foreseeable future. The effect of regulatory change on LarrainVial Asset Management, while impossible to predict, could be substantial and adverse.

Reliance on Key Personnel. The operations of the strategies and the LarrainVial Asset Management are substantially dependent upon the skill, judgment and expertise of its key personnel. The death, disability or other unavailability of its key personnel could be material and adverse to the strategies.

**Item 9: Disciplinary Information**

There are no legal or disciplinary events to report. There are no criminal or civil actions in a US, foreign or military court of competent jurisdiction in which LarrainVial Asset Management or its directors or officers have been involved.

## Item 10: Other Financial Industry Activities and Affiliations

Neither LarrainVial Asset Management nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither LarrainVial Asset Management nor any of its management persons are registered, or have any an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the following.

LarrainVial Asset Management is part of the Larrain Vial Group, which also operates brokerage houses in Chile, Peru, Colombia and the U.S., LarrainVial Asset Management can trade assets via LarrainVial Corredora de Bolsa. This raises potential conflicts of interest even though LarrainVial Asset Management operates independently from the Larrain Vial Group, with a separate and independent Board of Directors and ownership structure. LarrainVial Asset Management has incorporated a Broker Selection and Best Execution Policy (the “*Policy*”) in order to secure an impartial broker selection process, considering the best interest of the Clients. The Policy is reviewed continuously in order to secure the compliance with implemented policies. Trading costs are monitored on a monthly basis in terms of turnover, and quarterly in terms of allocation of trades. As a general rule, the LarrainVial Asset Management trading team is prevented from allocating a combined trading position to LarrainVial Corredora de Bolsa that exceeds its actual market share. In the event that Larrain Vial Corredora de Bolsa participates in an initial public offering (“*IPO*”), LarrainVial Asset Management’s Risk Committee reviews the participation of Clients in such IPOs in relation to a limitation in regards to the aggregate participation of Clients. LarrainVial Asset Management’s procedures determine that the aggregate participation of all Clients cannot exceed a certain percentage related to the market share of LarrainVial Asset Management of any given IPO processed by LarrainVial Corredora de Bolsa. See Item 12: *Brokerage Practices* for a further description of the Policy.

LarrainVial Asset Management does not recommend or select other investment advisers for its Clients.

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

LarrainVial Asset Management's Compliance Manual and Code of Ethics (the "*Code*"), adopted pursuant to Rule 204A-1 under the Advisers Act, confirms LarrainVial Asset Management's commitment to the highest ideals of honesty, integrity and openness. LarrainVial Asset Management's demonstrates this commitment through its measures taken to ensure the confidentiality of Client information, prohibition of illegal insider trading and personal trading, and other important matters. All employees must abide by the Code and undergo training when they start and certify that they have read and understand the Code. A copy of the Code is available to current or prospective SMA Clients and Fund Investors by submitting a request to ComplianceLVAM@larrainvial.com.

LarrainVial Asset Management's personal trading policy allows employees to buy or sell funds and, subject to restrictions, individual securities. LarrainVial Asset Management keeps a list of "restricted securities" that employees are not permitted to buy or sell. This list, which is regularly updated, is not made available to all employees. Instead, employees must first obtain the approval of the head of compliance prior to buying or selling any individual security in the markets in which LarrainVial Asset Management buys or sells securities for Clients. Analysts are prohibited from buying or selling for their own account, securities that fall within span of securities they analyze and evaluate in the course of their employment. In addition, asset managers work with the compliance team to agree on suitable timing requirements for specific securities. In all cases where employees are permitted to purchase individual securities such securities must be held for at least two months.

LarrainVial Asset Management does not purchase individual company stocks or corporate notes and bonds for its own account. It is the policy of LarrainVial Asset Management to generally maintain at least 50% of its holdings in a combination of government notes, bank deposits and Chilean Peso (CLP) Money Market Funds, including CLP Money Market Funds managed by LarrainVial Asset Management. Any deviation from this policy requires the approval of the Board of Directors.

LarrainVial Asset Management may buy or sell on behalf of Clients securities or investment products in which LarrainVial Asset Management or a related person has some financial interest. In order to minimize any potential conflicts of interests in making any such decision, in accordance with its fiduciary duty, LarrainVial Asset Management places Client interests ahead of its own. The decision to make such purchase or sale on behalf of a Client is based solely on the perceived suitability of the investment for the particular Client in light of the Client's investment goals, time frame, risk tolerance, portfolio composition and other factors. As discussed in Item 10, LarrainVial Asset Management can trade assets via Larrain Vial Corredora de Bolsa, a broker-dealer that is also part of the Larrain Vial Group. This raises potential conflicts of interests between Larrain Vial Corredora de Bolsa's interest in collecting fees and commissions, and LarrainVial Asset Management's interest in obtaining best execution on behalf of its Clients. The two entities, while part of the same group, are operated independently and policies and procedures have been adopted to address any potential conflicts of interest. Please see Item 10 and Item 12 for a further discussion.

## Item 12 Brokerage Practices

### LarrainVial Asset Management Best Execution Policy

Generally, in determining which broker or dealer to use, LarrainVial Asset Management has a duty to obtain “best execution,” which the SEC generally describes as a duty to execute securities transactions so that a client’s total costs or proceeds in each transaction are the most favorable under the circumstances. This duty generally begins with a requirement that LarrainVial Asset Management obtain the best price available for the securities in each transaction. However, in order to perform in compliance with the Policy, the trading team must aim towards the best possible result in regards to all trades, not only considering the purchase or sale price, but moreover, transaction costs, speed, likelihood of execution, size, settlement and other variables that may be relevant and could result in benefit or cost to the Clients. LarrainVial Asset Management may give consideration to certain of these factors more than others in choosing brokers depending on the particular investment at issue.

### Soft Dollar Policy

Section 28(e) of the U.S. Securities and Exchange Act of 1934, as amended (the “1934 Act”) provides a safe harbor for advisers whose receipt “soft dollar” benefits generated by brokerage of its clients that is limited to the receipt of certain research and brokerage products and services.

LarrainVial Asset Management receives a benefit by means of “soft dollar” benefits because it does not have to produce or pay for the research or brokerage products or services. As a result, LarrainVial Asset Management may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or brokerage products or services, rather than the clients’ interest in receiving the most favorable execution. This practice may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for “soft dollar” benefits (known as “paying up”). The “soft dollars” generated by one Client’s account may be used by LarrainVial Asset Management to serve that account as well as others and that “soft dollar benefits possibly may be applied disproportionately to the soft dollar credits that an account generates.

During the past fiscal year, LarrainVial Asset Management directed client transactions to one broker-dealer in return for “soft dollar” benefits. These benefits were limited to global macro economic research falling within the parameters of Section 28(e) of the 1934 Act and used by LarrainVial Asset Management for the benefit of all Clients. No further use of “soft dollars” has been approved as of the date hereof.

The procedures used to direct client transactions to a particular broker-dealer in return for “soft-dollar” benefits received are the same as those procedures used to select broker-dealers for trading transactions except as already noted.

LarrainVial Asset Management periodically reviews and evaluates its soft dollar practices to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services

provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or LarrainVial Asset Management's overall responsibilities to the accounts or portfolios over which LarrainVial Asset Management exercises investment discretion.

Brokerage for Client Referrals

LarrainVial Asset Management does not direct Client brokerage business to brokers-dealers that refer prospective Clients.

Directed Brokerage

LarrainVial Asset Management requires SMA Clients to select a specific broker-dealer or group of broker-dealers to be used to effect transactions in their Client Accounts. These limitations may result in SMA Clients paying more for such services than would be the case if such decisions were based solely on price.

Trade Aggregation and Allocation Policy

LarrainVial Asset Management has a central trading desk where trades are executed that is separated from the "investment area" where portfolio managers make trading decisions. This prevents portfolio managers from being able to close deal with brokers and plays a key role in minimizing potential conflicts of interest.

LarrainVial Asset Management does not seek to obtain lower commissions by aggregating trades.

Trades are allocated during the trading-session as soon as trade details are available from the broker. The allocation process is FIFO (first in first out). If there are global orders for several Clients, trades will be split between them, assuring the same price. The allocation is the responsibility of the trading desk and, as a result, the portfolio manager and the investment area are not involved in the allocation process. Moreover, the allocations are executed via automated algorithms, and not by manual actions that could lead to one Client gaining benefit over another.

The trading team tracks and accounts for all trades. When completing a given trade, a trade instruction is sent to the back-office function facilitating a booking of the traded position against the aggregated holding.

The reconciling of cash positions is handled by the back- office. Completed trades are registered and booked without delay, hereby ensuring an overview of the effects on given cash levels.

### **Item 13: Review of Accounts**

All Client portfolios are actively managed and are reviewed regularly throughout the trading day. Each Client's portfolio is reviewed by the relevant portfolio manager(s) on a continuous real-time basis to determine whether securities positions should be maintained in view of current market conditions and significant market, economic and political events, as well as the performance of each Client's portfolio. In addition, LarrainVial Asset Management's Risk and Control Team review each Client's portfolio on a continuous daily basis with respect to adherence to any applicable investment guidelines and limitations on exposure to issuers and counterparties. Any breach of a restriction creates an alert and is reported.

Both SMA Clients and Fund Investors receive monthly performance reports, which include LarrainVial Asset Management's market insight regarding their Client Accounts.



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

LarrainVial Asset Management has no arrangements whereby a party who is not a Client compensates or otherwise provides an economic benefit to LarrainVial Asset Management for providing advisory services to Clients other than the “soft-dollar” benefit arrangement detailed in Item 12.

LarrainVial Asset Management may from time to time enter into client referral agreements with third party marketing firms to solicit new Clients. Currently there are no such agreements in place with respect to potential Clients that are U.S. Persons. In the respect that any third party marketing firm is authorized in the future to solicit potential Clients that are U.S. Persons such the agreement between such firm and LarrainVial Asset Management will comply with the Advisers Act and all applicable law.

## Item 15 Custody

LarrainVial Asset Management is not subject to Rule 206(4)-2 of the Advisers (the “*Custody Rule*”) because it is an “offshore adviser” as defined in ABA Subcommittee on Private Investment Entities, SEC Staff Letter, Aug. 10, 2006 (the “ABA Letter”) and (i) each of the Funds is an “offshore fund” as defined in the ABA Letter, and (ii) each SMA Client is a non-U.S. Person. Nevertheless, LarrainVial Asset Management does utilize qualified custodians to maintain all Client assets. In the event that LarrainVial Asset Management were to provide advisory services to a United States person or an investment fund other than an offshore fund, LarrainVial Asset Management would comply with the Custody Rule with respect to such Client.

## **Item 16 Investment Discretion**

LarrainVial Asset Management, through its Advisory Agreements, is generally given discretion and authority to invest, reinvest and manage a Client's assets in accordance with the specific investment guidelines and other related terms set forth in each such Advisory Agreement. An Advisory Agreement may contain certain parameters or restrictions with respect to LarrainVial Asset Management's investment discretion and authority. Such parameters and restrictions may include, among others, prohibited investments, position/exposure limits, counterparty requirements and restrictions, and applicable legal and regulatory restrictions. To enable LarrainVial Asset Management to fully exercise such discretion, LarrainVial Asset Management is generally authorized, in the subscription agreement of each Fund and in a power of attorney in each Advisory Agreement, to take all other action that LarrainVial Asset Management reasonably considers necessary or advisable in order to carry out its duties.

## Item 17 Voting Client Securities

As a general matter, LarrainVial Asset Management has the authority to vote proxies for securities held in Client portfolios unless otherwise stipulated in the applicable Advisory Agreement. With respect to the Funds, investors in the Funds may not direct LarrainVial Asset Management's vote in any proxy solicitation.

The Board of Directors of LarrainVial Asset Management has approved a specific proxy voting policy in order to ensure an independent selection process in regards to companies in which the LarrainVial Asset Management invests and prevent conflicts of interest in relation to major or minority shareholders, with the exception of the possible instance of the existence of a person linked to the ownership structure of LarrainVial Asset Management. The Audit Committee holds a specific supervisory function regarding these aspects.

LarrainVial Asset Management does not seek to become involved in the management of any company in which it invests and does not nominate or vote for representatives of itself or its affiliates as directors of any such company.

A copy of LarrainVial Asset Management's proxy voting policy can be obtained by contacting: [ComplianceLVAM@larrainvial.com](mailto:ComplianceLVAM@larrainvial.com).

## Item 18 Financial Information

LarrainVial Asset Management does not require or solicit prepayment of fees.

LarrainVial Asset Management is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

LarrainVial Asset Management has not been the subject to a bankruptcy petition at any time in the past ten years.