

## Investment Adviser Brochure

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This brochure ("Brochure") provides information about the qualifications and business practices of Vontobel Asset Management, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940, as amended ("Advisers Act"). If you have any questions about the contents of this Brochure, please contact Joseph Mastoloni, Chief Compliance Officer, at 212-804-9300 or [joseph.mastoloni@vontobel.com](mailto:joseph.mastoloni@vontobel.com). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration under the Advisers Act as an investment adviser does not imply any level of skill or training.

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

**ITEM 2. SUMMARY OF MATERIAL CHANGES**

In keeping with SEC requirements, this section of the Brochure (Item 2) summarizes the material changes that have been made to the Brochure since our last update in September 2019. For more details about the changes, please see the Item number reference(s).

- The firm's AUM has been updated as of December 31, 2019.
- Item 4 Advisory Business and Item 16 Investment Discretion have been updated to include the firm's management of model portfolios for non-discretionary business.
- Item 8 has been updated for additional risk disclosures

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## **ITEM 4. ADVISORY BUSINESS**

### **The Company**

We are a global investment management firm dedicated exclusively to managing long-only global equity portfolios. Long-only equities are equities that are expected to increase in value over time. We are a registered investment adviser based in New York City and have provided global asset management services to investors since 1984. We are a wholly-owned subsidiary of Vontobel Holding AG, a Swiss holding company in Zurich, Switzerland. We are also a sister company of Bank Vontobel AG, one of Switzerland's foremost private banks for over 90 years.

### **Advisory Service Type**

We offer fundamental analysis-based investment advisory and sub-advisory services to a broad array of institutional and intermediary clients, respectively. Our client base includes a list of corporations, public and private pension plans, and foundations and endowments. We specialize in the management of equity portfolios offered in the form of six long-only equity investment strategies. Please read Item 8 for more information on our investment strategies.

### **Investment Guidelines**

We strive to invest all of our clients' assets in a similar manner within each strategy so as to ensure that all portfolios benefit from the best investment ideas of the firm and to limit the dispersion of returns among client portfolios. Each investment strategy offered by our firm is defined by its own portfolio construction and investment guidelines developed by us.

Within the bounds of a given investment strategy or strategies, a client may customize its investments through the use of investment guidelines, restrictions, and limitations ("guidelines"). These client-driven guidelines are drafted during the course of contract negotiations and become an integral part of the final investment management agreement between us and our clients ("Investment Management Agreement"). We reserve the right to reject investment guidelines that we determine, in our judgement, to be unduly restrictive in light of strategy and portfolio objectives.

Vontobel provides asset model portfolios to related investment adviser and institutional investors on a non-discretionary basis subject to negotiated fees. Recommendations made on a non-discretionary basis are substantially the same to the advice provided to Vontobel's clients on a discretionary basis. It is at the investment advisors' or institutional investors' sole discretion as to whether or not and to what extent they will implement the model portfolios or each recommendation made by Vontobel for their respective clients and accounts. Vontobel does not enter into a direct relationship with clients of affiliated investment advisers. Vontobel does not provide administrative, trading, portfolio accounting or account-specific performance reporting services to the clients of affiliated investment advisers.

### **Assets Under Management**

As of December 31, 2019, we had \$34,698,786,820 in assets under management on a discretionary basis and \$113,350,064 in assets under management on a nondiscretionary basis.

## **ITEM 5. FEES AND COMPENSATION**

We are compensated for rendering advisory services to clients in a variety of ways, including the following:

### **Asset-Based Fee**

We typically charge a fee based on a percentage of a client's assets under management. Asset-based fees are calculated based on a percentage of the market value of the investment portfolio under management at the end of the preceding month (or months in the case of quarterly payments). In the absence of market values, the basis for calculation is fair value or daily NAV.

### **Performance-Based Fee**

In limited circumstances, and in accordance with Rule 205-3 under the Advisers Act, we may enter into an Investment Management Agreement where we will charge a client fees based on the investment performance achieved in the client's account. Our typical performance-based fee arrangement has two components: (1) a fee based on a percentage of the market value of the investment portfolio under management; and, (2) a quarterly performance fee based on returns in excess of a benchmark selected by us and the client. Please see Item 8 for more information on performance-based fees.

### **Investment Strategy Advisory Fee Schedule**

#### **International Equity Management**

0.65% on the first \$100 million  
 0.60% on the next \$100 million  
 0.55% on the next \$100 million  
 0.50% over \$300 million  
 Minimum initial investment is \$100 million

#### **Emerging Markets Equity Management**

0.70% on the first \$100 million  
 0.65% on the next \$100 million  
 0.60% on the next \$100 million  
 0.55% over \$300 million  
 Minimum initial investment is \$100 million

#### **Asia Pacific Equity Management**

0.70% on the first \$100 million  
 0.65% on the next \$100 million  
 0.60% on the next \$100 million  
 0.55% over \$300 million  
 Minimum initial investment is \$100 million

#### **Global Equity Management**

0.65% on the first \$100 million  
 0.60% on the next \$100 million  
 0.55% on the next \$100 million  
 0.50% over \$300 million  
 Minimum initial investment is \$100 million

#### **U.S. Equity Management**

0.40% on the first \$100 million  
 0.35% on the next \$100 million  
 0.30% on the next \$100 million  
 0.25% over \$300 million  
 Minimum initial investment is \$100 million

#### **European Equity Management**

0.55% on the first \$100 million  
 0.50% on the next \$100 million  
 0.45% on the next \$100 million  
 0.40% over \$300 million  
 Minimum initial investment is \$100 million

The above are our stated fees, however the fees generally vary due to the particular circumstances of the client or as otherwise negotiated with particular clients. For example, certain clients may be charged fees at rates lower than those indicated above due to the particular circumstances of the client, such as the existence of other accounts with us. For certain registered pooled vehicles to which we serve as an investment adviser or sub-adviser, our fees are disclosed in the relevant offering documents and in some cases these clients provide an invoice with their own calculation of fees. We review and ensure that the fees calculated are generally within range of the fees disclosed in the offering documents.

We also serve as the investment manager for two private investment funds: the Vontobel Global Emerging Markets Fund and the Vontobel International Equity Fund (collectively, the "Commingled Funds"). Each Commingled Fund is a series of the Vontobel Investment Trust, a Delaware statutory trust. The presentation of information in this Brochure relating to the Commingled Funds is not intended as an offer or solicitation to invest. Our fees for managing the Commingled Funds are disclosed in the relevant offering documents.

We do not automatically deduct advisory fees for separate accounts. Fees for separate accounts are billed quarterly in arrears and must be paid within 45 days of the last day of the quarter for which the fee is applicable. Clients also have the option of paying investment management fees in advance. Any pre-paid fees that have not been earned at the termination of a contract with a client will be refunded. This policy is designed to avoid placing a client in the position of deciding between forfeiting the unused portion of its fee or continuing to receive portfolio management services that are no longer desired. The amount of the refund will be calculated pro rata and will reflect a deduction of reasonable costs incurred in managing the client's portfolio.

The investment management fees for the Commingled Funds are deducted by the Fund Administrator monthly from the aggregate assets of the funds. Investors in the Commingled Funds do not have the option of being billed directly.

#### **Other Fees and Expenses**

In addition to the investment management fee we are paid, separate account clients are required to pay other fees and expenses such as custodial fees, brokerage commissions, transaction costs, and foreign withholding taxes on foreign securities. For more information on fees charged by the custodian of your account, including any charges relating to foreign exchange transactions or how your custodian executes foreign exchange transactions for your account, you should contact your custodian or refer to any agreement you have entered into with your custodian. For more information on brokerage commissions, please see Item 12 of this Brochure.

With respect to the Commingled Funds, we receive a Management Fee from the Funds. In the interest of limiting the total expense ratio of the Funds, we have voluntarily agreed to bear all other fund operating expenses including custodial charges, fees for legal advice, accounting, transfer agency and reporting fees as well as, auditing and tax preparation expenses. The Funds will also bear all of its investment related expenses which include but are not limited to brokerage commissions, transaction costs and taxes on securities held in the fund's investment portfolio. For more information on fees and expenses related to the Commingled Funds, please refer to the Private Placement Memorandum governing each fund.

Certain clients may invest, exclusively through an allocation in a separate account managed by the Registrant, to the Vontobel India Fund, organized and incorporated under the laws of the Republic of Mauritius as a public company licensed by the Financial Services Commission of Mauritius. The Vontobel India Fund is not currently charged management fees by us as sub-adviser. However, the Vontobel India Fund bears all other operating expenses such as custodial fees, administrative fees, the cost of audits and legal fees. For more information on the Vontobel India Fund, please see Item 10.

**ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

By mutual agreement with certain clients, we may manage performance-based fee accounts. We do this side-by-side with asset-based fee accounts. Because of the additional economic incentives tied to accounts with performance-based fees, an investment adviser may have a conflict of interest when managing such accounts alongside accounts that do not include performance-based fees. In this regard, an investment adviser may have an incentive to allocate favorable trades to, or otherwise favor, the accounts with higher fees. To eliminate this potential conflict of interest, we have implemented policies and procedures to govern, among other things, how trades are allocated across accounts. These policies require that all accounts in the same strategy generally be managed the same way. In furtherance of these policies, we generally require that all accounts within a strategy hold the same securities, that trades for all accounts within a given strategy are allocated in a like fashion and that such accounts trade at the same time.

On a quarterly basis, reviewing the representative accounts for each strategy, our Trade Management Oversight Committee examines allocations that were manually adjusted by the trading team to ensure that firm policies and procedures governing trading and trade allocations were followed. Relatedly, the Investment Policy Committee quarterly reviews investment performance and dispersion among client accounts to verify if client assets in a given strategy are managed in a like manner. Our Portfolio Compliance Officer also reviews trade allocations on a more frequent basis. These policies and procedures, as well as others we have implemented, are designed to promote a fair and equitable allocation of investment opportunities across all of the accounts that we manage. For more information on our trading policies and procedures, please see Item 12. For more information on how we review accounts, please see Item 13.

**ITEM 7. TYPES OF CLIENTS**

We currently provide investment advice to institutional clients, such as corporations, partnerships, foundations, associations, statutory trusts, pension or profit-sharing plans, registered open-end investment companies, foreign-registered open-end investment companies, collective investment trusts, other pooled investment vehicles, state or municipal government entities, foreign government entities, and insurance dedicated funds. For more information on our current advisory relationships, please see Items 5 and 10.

**Account-Opening Requirements**

For our six investment strategies (as listed in Item 8), the minimum initial investment for each separate account, which does not include a client account in the Commingled Funds, is \$100 million. The minimum initial investment for each Commingled Fund account is \$10 million, irrespective of strategy. On occasion, after consideration of any special circumstances, we may waive the minimum initial investment requirements. For know-your-client / anti-money laundering purposes, investors in the Commingled Funds are: vetted against the Sanctions Program Listings maintained by the Treasury Department's Office of Foreign Asset Control ("OFAC"); required to undergo certain other identification procedures; and required to provide identification documentation. Also for those purposes, each separate account client is vetted against the OFAC list.

**Account Transfer**

In the event an account is to be transitioned to or from another investment adviser, we work closely with the transition manager, if one has been appointed by our clients, to facilitate the transfer of securities, as the case may be, in the most efficient and cost-effective way.



## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Our Philosophy: “High Quality Growth at Sensible Prices”**

Our investment philosophy is based on the conviction that long-term, stable earnings growth drives long-term investment returns and outperformance. By identifying sensibly priced high quality companies that can grow earnings faster than the market on a sustainable basis, we believe we will be able to achieve attractive returns for our clients. Also central to our philosophy is the belief that compounding wealth requires preserving capital in down markets. We recognize that declining markets can quickly erode investors' capital.

We are benchmark agnostic. We consider the benchmark index to be a poor representation of the high quality investment opportunities available and believe that fund managers should be allowed to avoid portfolio anomalies arising from benchmark-dictated constraints.

### **Our Investment Process**

We employ a disciplined investment process that is predicated on long-term investment objectives. We believe that the best way to achieve capital appreciation and outperform the market over the long term is by investing – at attractive prices – in well-managed businesses with consistent operating histories, solid financial performances, favorable long-term economic prospects and, in most cases, strong free cash flow. The investment process relies on bottom-up analysis to help us identify high quality, reasonably priced companies.

Our investment process consists of five steps. We seek to add alpha – a measure of an investment's performance over and above the performance of investments of the same risk – through bottom-up stock selection. The process begins first with our idea generation refined by quantitative screening. Ideas come from many sources including conferences, meetings, readings, etc. Companies under consideration are then evaluated in terms of various financial metrics in order that we focus on only the best-performing ones. Our qualitative analysis follows next in steps two and three of our investment process. These steps are important in understanding how a company sells its products or services, the diversity of its sources of revenues and profits, geographically or otherwise, and what makes it special or particularly interesting for us. Here we analyze the company's past business economics and potential future opportunities while also reviewing industry dynamics. In step two, we put great emphasis on understanding underlying business features, competitive environment as well as relevant accounting issues. During the third step, we perform an in-depth evaluation of the certainty of the long-term economic characteristics and durability of the company. We also assess the quality of its management in terms of its ability to realize the full potential of its business. Step four of our investment process follows next and is where we focus on company valuations. To be considered for our portfolio, the market price of the company should have a significant discount to future earnings, cash flow and/or net asset value. In step five, portfolio construction, we determine the sizing of the investment we will make in the company. The position's size depends on several factors primarily revolving around the company's quality and growth potential and its current valuation. We also look closely at how an investment in the particular company will affect the overall risk of the portfolio. Our guidelines ensure that stock selection drives performance while also providing adequate risk diversification.

### **Sell Discipline**

Our investment team monitors the tenets of our buy discipline – consistency, predictability, profitability, sustainability and sensible price. Generally, we will remain invested in a company unless a material change to our investment thesis occurs. Reasons for us to reduce the size of or to sell completely a company's shares include the following: the market price of a business exceeds our estimate of fair price; the business is involved in a major acquisition; its earnings growth, profitability and predictability deteriorate; or it is replaced by a better investment.

### **Risk Control**

Our investment approach is designed to help mitigate risk and avoid permanent loss of capital. We are wary of risk measures that focus on portfolio composition relative to the benchmark. We seek to control risk by concentrating our portfolio holdings in high quality businesses (characterized by superior profitability, operational stability, and low leverage) at sensible prices. We further control risk by adhering to portfolio construction guidelines that provide adequate diversification.

Portfolio managers are ultimately responsible for portfolio risk management and aim to construct portfolios to include companies that have profitable businesses with reliable earnings streams. In addition to the qualitative approach to risk management, we also employ a quantitative overlay, which helps to provide an estimate of the expected portfolio volatility and identify portfolio exposure to various risk factors. Each portfolio's risk characteristics are reviewed and evaluated by our risk analyst in charge of screening and risk management. Any changes from period to period are tracked and highlighted for deeper review.

The Chief Investment Officer, Director of Research, the Risk Analyst and Portfolio Managers meet as a group periodically to review all of the realized and predicted risk statistics for all of the portfolios.

### **Chartered Oversight Committees**

In an effort to gain efficiencies, the Investment Review Committee (IRC), the chartered committee ultimately responsible for the review and oversight of all investment-related and risk-management activities at Vontobel, has devolved a number of its responsibilities to three formal Sub-Committees. The IRC was formed to, among other things, (a) assure the effective and prudent handling and investment of client funds, accounts and portfolios, and (b) oversee the investment policies and management of the firm (as it relates to the investment function). Other duties may be assigned to the Investment Review Committee from time to time as appropriate and in the best interests of the firm and its clients.

With capabilities commensurate with their responsibilities, the chartered Sub-Committees of the IRC make reports to the IRC on a quarterly basis and as needed. The Sub-Committees and their respective areas of responsibility are as follows:

1. **Investment Policy Committee** – Drivers of the firm's investment products and their performance.

The primary purpose of the Investment Policy Committee is to oversee and guide the process by which the Registrant monitors, evaluates and communicates an investment strategy's performance. In addition, the IPC monitors the management of each portfolio for compliance with clients' investment policies, guidelines, limitations and restrictions and for meeting performance objectives over time as well as compliance by our firm with GIPS (Global Investment Performance Standards) for measuring and disseminating the firm's investment strategy returns.

It is within the scope of the Committee's responsibilities to address the following subjects:

- Investment performance of each account based on a comparison of actual returns with benchmarks, and the evaluation will take into account compliance with investment policies and guidelines and risk levels;
- Appropriate benchmarks and peer groups for comparison purposes;
- Review of client base, portfolio guidelines and proxy voting; and,
- Unusual and exceptional investment matters

2. **Trade Management Oversight Committee** – Business processes relating to the firm's trading activity.

The Trade Management Oversight Committee has responsibility for evaluating the Registrant's trade management policies and procedures, and when and where appropriate, for making recommendations to improve the firm's trading practices.

The Committee's responsibilities are framed by regulatory requirements and our fiduciary duty to act always in the best interest of our clients.

It is within the scope of the Committee's responsibilities to address the following subjects:

- Best Execution;
- Trade and Order Management;
- Liquidity and Cash Management;
- Broker Relationships and Commissions; and,
- Trading Infrastructure & Systems (incl. OMS, EMS and Direct Market Access).

3. **Risk Committee** – Risks considered outside the Portfolio Managers' direct portfolio risk management responsibilities.

The Risk Committee has responsibility for monitoring our broader Risk Management Practices and Risk Exposures relating to the implementation of our investment discipline. The Committee formulates, and oversees the implementation of measures and recommendations to mitigate risks that exceed acceptable levels.

It is within the scope of the Committee's responsibilities to address the following subjects:

- Operational Risk;
- Credit Risk;
- Liquidity Risk;
- Use of Derivatives;
- Insurance Coverage; and
- Sovereign Risk: Including FX Convertibility, Cash Repatriation, Local Settlement Risks.

### **Risks of Investing in Equities**

We generally invest in common and preferred stock and other publically traded (listed) equity securities. Equity securities generally will be subordinated to the debt securities and other indebtedness of the issuers. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions, general stock market fluctuations, and changes in market confidence and perceptions of their issuers. Investor perceptions are based on various and often unpredictable factors, including government policies, economic variability, and political crises. As part of our investment strategy, we may invest in companies with small- or mid-sized market capitalizations or in thinly traded and other long-term securities. Thinly traded securities carry the risk that a buyer for such securities may not be found expeditiously. In addition, the lack of an established, liquid secondary market for many of these investments may have an adverse effect on the market value of the investments and on the ability to dispose of them. No assurance can be given that we can dispose of such an investment at or near

11/29 the last published market quote. In addition, certain investments may have to be held for a substantial period of time before they can be sold. Investing in securities involves a risk of loss that clients should be prepared to bear.

Our investment discipline tends to result in compact portfolios which mean that they may be invested in a limited number of issuers and holdings. This means that the strategy's performance may be substantially impacted by the change in value of even a single holding.

### **Participatory Notes**

A participatory note is an instrument that derives its value from an underlying financial instrument such as an equity share. These notes are used to gain exposure to underlying equity securities in foreign markets where direct investments are restricted. In other words, we may use participatory notes to gain access to markets where it is difficult for our clients to acquire local registration for the purchase and sale of local securities. An example of such a market is India.

While the holder of a participatory note is entitled to receive from the bank or broker-dealer issuer of the participatory note any dividends or other distributions paid on the underlying securities, the holder is not entitled to the same rights as an owner of the underlying securities, such as voting rights. The exposure limit to participatory notes, as well as other derivative instruments, is detailed in each client's Investment Management Agreement or its investment guidelines. Participatory notes are derivative instruments that create counterparty issuer risk for our clients, which we monitor on a continual basis. We monitor such counterparty risk by reviewing the fundamental credit quality, financial profile and market perception of our derivative counterparties on a periodic basis. Our Investment Review Committee has established, and our Risk Committee monitors, guidelines for counterparty risk exposure. Such exposure is not to exceed 1% of the counterparty's capital base. If requested, we will work together with clients to obtain local registrations in markets so as to avoid the requirement of accepting counterparty credit exposure if we determine that doing so is in the client's best interest.

Specific risks associated with investing in any of our strategies are set forth below.

### **Our Investment Strategies**

We offer the following six long-only equity investment strategies. Generally, each strategy invests in equity securities and equity-linked<sup>1</sup> securities of high quality, well-managed businesses with consistent operating histories, solid financial performances, favorable long-term economic prospects, and, in most cases, free cash flow. We make such investments at valuations that our research deems to be sensible in the context of the earnings growth prospects and the durability of the economics of the underlying businesses. The strategies may also invest in derivatives. Over full market cycles, which generally span at least 5- year periods, the investment approach is designed generally to hold up better than the market in a down cycle, and to capture a substantial part of the investment returns when the markets are excited.

With the exception of the U.S. equities strategy, the strategies diversify their investments among countries and normally have represented in the portfolio business activities of a number of different regions and countries.<sup>2</sup>

<b>Summary of Our Investment Strategies</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Portfolio Characteristics</b>	<b>International Equity</b>	<b>Emerging Markets Equity</b>	<b>Global Equity</b>	<b>European Equity</b>	<b>Asia Pacific Equity</b>	<b>U.S. Equity</b>
SECURITIES OF COMPANIES LOCATED PRIMARILY OUTSIDE OF THE U.S.	✓	✓		✓	✓	
TRADED PRIMARILY IN FOREIGN SECURITIES MARKETS	✓	✓		✓	✓	
SECURITIES OF EMERGING MARKETS COUNTRIES (MSCI EME FREE INDEX)	✓	✓	✓		✓	
PARTICIPATORY NOTES	✓	✓	✓		✓	
HIGH QUALITY COMPANIES IN THE REGION	✓	✓	✓	✓	✓	✓
EQUITY OR EQUITY-LINKED SECURITIES IN THE REGION	✓	✓	✓	✓	✓	✓
INVESTMENTS DIVERSIFIED ACROSS COUNTRIES	✓	✓	✓	✓	✓	

<sup>1</sup> Equity-linked securities are hybrid debt securities whose returns are connected to underlying equities, usually stocks.

<sup>2</sup> The country classification of a security is generally determined by three factors: the country of incorporation of the issuing company; the country of primary listing; and the country from where the majority of revenues are derived. We employ an annual review process that evaluates the determination of these attributes and assures the information is accurate and current.

<sup>3</sup> These countries include:

MSCI EME Free Index: Argentina; Brazil; Chile; China; Colombia; the Czech Republic; Egypt; Greece; Hungary; India; Indonesia; Malaysia; Mexico; Pakistan; Peru; the Philippines; Poland; Russia; Qatar; Saudi Arabia; South Africa; South Korea; Taiwan; Thailand; Turkey; and United Arab Emirates.

### 1. The International Equities Investment Strategy

The strategy invests in a portfolio of common stocks and other equity securities of medium-to-large size companies, typically, that are located outside of the United States. To a limited degree, the strategy may also invest in companies based in the United States. The holdings of the strategy may be limited, and the strategy may focus its investments in companies located in or tied economically to particular countries or regions. The strategy generally invests in securities that our research process has identified to be of high quality and that are traded in foreign securities markets, though it may invest significantly in emerging or developing markets.

### 2. The Emerging Markets Equities Investment Strategy

This strategy invests in a diversified portfolio consisting primarily of equity securities which we consider of high quality. Under normal market conditions, the strategy will typically invest the bulk of its assets in equity securities issued by companies that are either in “developing countries” or “emerging markets,” that are constituents of the MSCI Emerging Markets Free Index.<sup>3</sup>

### 3. The Global Equities Investment Strategy

This investment strategy seeks to provide investors with exposure to high quality global companies. Under normal circumstances, the strategy invests in equity securities or equity-linked instruments of issuers located throughout the world, including issuers in emerging markets countries. The strategy diversifies its investments among countries and, normally, seeks to hold high quality businesses whose activities and revenue streams emanate from a number of different countries represented in the portfolio.

### 4. The European Equities Investment Strategy

This investment strategy offers investors exposure to European market economies through what we consider to be well-established, high quality companies. Under normal circumstances, the strategy invests in equity securities or equity-linked instruments of issuers located in Europe, including, to a limited degree, issuers in emerging markets countries.

### 5. The Asia Pacific Equities Investment Strategy

This strategy seeks to offer investors exposure to Asian market economies, with the exception of Japan, but including Australia and New Zealand, through what we believe to be well-established, high quality companies. Under normal circumstances, assets are invested in equity securities or equity-linked instruments of issuers located in Asia (excluding Japan), including issuers in emerging markets.

### 6. The U.S. Equities Investment Strategy

Taking into account the principle of risk diversification, strategy assets are invested mostly in shares, equity-like transferable securities, participation certificates, etc., issued by companies our research identifies as high quality enterprises domiciled in the U.S. and/or companies that have their core businesses in the U.S. To a limited degree, strategy assets may be invested in companies outside the aforementioned investment universe.

### **Risks of the Investment Strategies**

The specific risks involved in the management of our six investment strategies are presented in the table below on a strategy-by-strategy basis, followed by a legend explaining the risks.

	International Equity	Emerging Markets Equity	Global Equity	European Equity	Asia Pacific Equity	U.S. Equity
FOREIGN SECURITIES RISK	✓	✓	✓	✓	✓	
EMERGING MARKETS RISK	✓	✓	✓	✓	✓	
MARKET RISK	✓	✓	✓	✓	✓	✓
EQUITY-LINKED INSTRUMENTS RISK	✓	✓	✓	✓	✓	✓
POLITICAL AND/OR REGULATORY RISK	✓	✓	✓		✓	
LIQUIDITY RISK	✓	✓	✓		✓	
GEOGRAPHIC CONCENTRATION RISK	✓		✓	✓	✓	
CYBERSECURITY RISK	✓	✓	✓	✓	✓	✓
MARKET DISRUPTION RISK	✓	✓	✓	✓	✓	✓

### **Legend**

**Foreign Securities Risk** – There are special risk factors associated with investing in foreign securities, including: potential political and economic instability; differing accounting and financial reporting standards; inability to obtain reliable information regarding a company's financial condition; less stringent regulation and supervision of foreign securities markets, custodians, and securities depositories; and, potential restrictions in the flow of capital. Additionally, foreign securities are generally denominated in foreign currencies. As a result, the risks of fluctuations in the exchange rates between the U.S. dollar and foreign currencies may affect the value of an investment.

**Emerging Markets Risk** – The risks of investing in foreign securities are heightened when investing in emerging or developing markets. The economies and political environments of emerging or developing countries tend to be more unstable than those of developed countries, resulting in more volatile rates of return than the developed markets and substantially greater risk to investors.

**Market Risk** – The market price of a security may increase or decrease, sometimes rapidly or unpredictably. A company's stock performance can be adversely affected by many factors, including general financial market conditions and specific factors related to a particular company or industry. This risk is generally increased for companies in emerging markets, which tend to be more vulnerable to adverse developments. Market disruptions may prevent implementation of investment decisions in a timely manner.

**Equity-Linked Instruments Risk** – The risk that, in addition to market risk and other risks of the referenced equity security, the strategy may experience a return that is different from that of the referenced equity security. Equity-linked instruments also subject the strategy to counterparty risk, including the risk that the issuing entity may not be able to honor its financial commitment, which could result in a loss of all or part of the investment. The counterparty may also experience a decline in credit quality. Generally, this means that the lower the credit rating of the counterparty, the greater the risk of default.

**Political and/or Regulatory Risks** – The value of the assets comprising the strategy may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments may be made. Furthermore, in certain countries in which investments may be made, the legal and securities market infrastructure (including the custodial, depository and securities settlement systems operating in such countries) and the accounting, corporate governance and reporting standards in such countries may not provide the same degree of investor protection or information as would generally apply in the major securities markets. As the strategy may invest in markets having some or all of these characteristics, the assets comprising the strategy that are traded in such markets may be exposed to additional risk.

**Liquidity Risk** – The strategy is also susceptible to the risk that certain securities may be difficult or impossible to sell at the time and the price that the strategy would like. This risk is particularly acute in the case of foreign securities that are traded in smaller, emerging or developing markets.

**Geographic Concentration Risk** – The risk of concentrating investments in a single country or region may make the strategy susceptible to economic, political, regulatory or other events or conditions affecting companies within such country or region. As a result, the strategy may be more volatile than a more geographically diversified strategy.

**Cybersecurity Risk** - Although Vontobel has taken measures to decrease the risks associated with a cybersecurity event, the computer systems, networks and devices used by Vontobel and its service providers potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. A cybersecurity breach could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information of clients. A cybersecurity breach may also cause disruptions and impact business operations potentially resulting in a financial loss to a client.

**Market Disruption Risk** - Global instability, natural disasters, geopolitical tensions, terrorist attacks, and the threat of a global pandemic may adversely affect the performance of the global economy. These affects include market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. This may result in long-term effects on the United States and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. Vontobel cannot predict the effects of significant future events on the global economy and securities markets. A similar disruption of the financial markets could impact interest rates, credit risk, inflation and other factors. Vontobel has policies and procedures to address known situations, but not all events that could affect Vontobel's business and/or the markets can be determined and addressed in advance.

**ITEM 9. DISCIPLINARY INFORMATION**

Under Item 9, registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our advisory services or the integrity of our management.

We have no legal or disciplinary events to report.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Registered Representatives**

We permit employees to serve as registered representatives of broker-dealers. Currently, certain Vontobel employees are registered representatives of Foreside Distributors, LLC, a registered broker-dealer with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). Neither Vontobel nor any Vontobel employee receives compensation from the purchase or sale of securities or investments, and Vontobel does not use Foreside Distributors, LLC for trade execution.

We also have financial industry affiliations with the following institutions:

### **Bank Vontobel AG**

We are a wholly owned subsidiary of Vontobel Holding AG, which also owns Bank Vontobel AG. Under the terms of a service agreement with Bank Vontobel AG, Bank Vontobel AG provides certain marketing and administrative services to us as described in Item 14.

### **Vontobel AM Fixed Income US LLC**

Vontobel AM Fixed Income is a SEC-registered investment adviser and wholly owned subsidiary of Vontobel Holding AG. Vontobel AM Fixed Income US provides advisory services to Vontobel Asset Management AG. Although we are under common control with Vontobel AM Fixed Income, we do not consider this relationship to be material because: (1) we have no business dealings with Vontobel AM Fixed Income US in connection with advisory services we provide to clients; (2) we do not conduct shared investment operations with Vontobel AM Fixed Income US; (3) we do not refer prospective clients or business to Vontobel AM Fixed Income US; and, Vontobel AM Fixed Income US does not refer prospective clients or business to us; and, (4) we have no reason to believe that our relationship with Vontobel AM Fixed Income US creates a conflict of interest with our clients.

### **Vontobel Asset Management Asia Pacific, Ltd.**

Vontobel Asia Pacific is a wholly owned subsidiary of Vontobel Holding AG. Vontobel Asset Management Asia Pacific provides certain marketing and administrative services to us as described in Item 14.

### **Vontobel Asset Management Australia Pty Ltd**

Vontobel Asset Management Australia Pty Ltd is a wholly owned subsidiary of Vontobel Holding AG. Vontobel Asset Management Australia Pty Ltd provides asset management services in Australia.

### **Vontobel Asset Management (Hong Kong) Limited**

Vontobel Asset Management (Hong Kong) Limited is a wholly owned subsidiary of Vontobel Asset Management, Inc. Vontobel Asset Management (Hong Kong) Limited provides asset management services in Hong Kong.

### **Vontobel Asset Management AG**

Vontobel Asset Management AG is a wholly owned subsidiary of Vontobel Holding AG. Vontobel Asset Management AG provides asset management services.

### **Vontobel Asset Management S.A.**

Vontobel Asset Management S.A. is a wholly owned subsidiary of Vontobel Holding AG. Vontobel Asset Management S.A. provides certain marketing and administrative services to us as described in Item 14. We provide investment sub-advisory services to Vontobel Asset Management S.A. ("Vontobel Asset Management"), a Luxembourg affiliate that serves as investment manager for the Vontobel Fund, a Luxembourg-registered open-end investment company. In providing investment advisory services to Vontobel Asset Management, we sub-advise the following portfolios of the Vontobel Fund: US Value Equity; Emerging Markets Equity; Asia Pacific Equity; Global Equity Income; Global Value Equity; and, European Value Equity. Complete information about the Vontobel Fund and its portfolios, including advisory fees and fund operating expenses, are disclosed in the offering documents.

### **Vontobel Securities Ltd.**

Vontobel Securities Ltd., a Swiss broker-dealer that is registered under U.S. securities laws, is also a wholly-owned subsidiary of Vontobel Holding AG. A potential conflict of interest typically arises when an investment adviser executes transactions through an affiliated broker-dealer. In order to remove the possibility of such a conflict, we have adopted a strict policy against using an affiliated broker-dealer to execute trades in any of the strategies that we manage.

### **Vontobel Swiss Wealth Advisors AG**

Vontobel Swiss Wealth Advisors is a SEC-registered investment adviser and wholly owned subsidiary of Vontobel Holding AG. Although we are under common control with Vontobel Swiss Wealth Advisors, we do not consider this relationship to be material because: (1) we have no business dealings with Vontobel Swiss Wealth Advisors in connection with advisory services we provide to clients; (2) we do not conduct shared investment operations with Vontobel Swiss Wealth Advisors; (3) we do not refer prospective

clients or business to Vontobel Swiss Wealth Advisors; and, Vontobel Swiss Wealth Advisors does not refer prospective clients or business to us; (4) we do not share supervised persons or premises with Vontobel Swiss Wealth Advisors; and, (5) we have no reason to believe that our relationship with Vontobel Swiss Wealth Advisors creates a conflict of interest with our clients.

#### **TwentyFour Asset Management (US) LP**

TwentyFour Asset Management (US) LP is a SEC-registered investment adviser and is a wholly owned subsidiary of TwentyFour Asset Management LLP (TwentyFour UK), a fixed income specialist manager based in the City of London. TwentyFour UK is 60% owned by Vontobel Asset Management AG with the working partners retaining a 40% stake in the business. TwentyFour US provides advisory services to TwentyFour UK. Although we are under common control with TwentyFour US, we do not consider this relationship to be material because: (1) we have no business dealings with TwentyFour US in connection with advisory services we provide to clients; (2) we do not conduct shared operations with TwentyFour US; (3) we do not refer prospective clients or business to TwentyFour US; and, TwentyFour US does not refer prospective clients or business to us; (4) we do not share supervised persons and, (5) we have no reason to believe that our relationship with TwentyFour US creates a conflict of interest with our clients.

#### **Commingled Funds**

As described in Item 5, we serve as the investment manager for the Vontobel Global Emerging Markets Fund and the Vontobel International Equity Fund. These Commingled Funds are a series of the Vontobel Investment Trust, a Delaware statutory trust.

#### **Vontobel India Fund**

As described in Item 5, we serve as the investment manager to the Vontobel India Fund, a company incorporated under the laws of Mauritius as a public company. Currently, our Chief Compliance Officer, Joseph Mastoloni, serves as one of the three directors of the Vontobel India Fund. The Vontobel India Fund is licensed by the Financial Services Commission, Mauritius, and is registered with the Securities and Exchange Board of India as a Foreign Institutional Investor. Existing clients, including the Commingled Funds, are investors in the Vontobel India Fund in order to gain exposure to Indian equities to alleviate the need for local registration.

We do not charge an investment management fee or any other fee to the Vontobel India Fund. As a result, we do not believe that our management of the Vontobel India Fund creates a conflict of interest with our clients.

#### **GreatBanc Collective Investment Trust II**

We serve as the investment adviser to the two collective investment funds ("Investment Funds") created within the GreatBanc Collective Investment Trust II, a collective investment trust ("CIT") established under Illinois law by the GreatBanc Trust Company, an Illinois statutory trust company serving as trustee. The two Investment Funds within the CIT are the Vontobel Global Equity Fund and the Vontobel International Equity Fund. These Funds invest the assets of eligible retirement, pension, profit sharing, stock bonus and similar plans. To purchase units in one of the Investment Funds, a plan must first become a Participating Trust in the CIT. No Participating Trust has any role in the management of an Investment Fund or any vote or other control over an Investment Fund. Details regarding the management fee and expense ratio are contained in the Private Placement Memorandum, which is available upon request.



## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

As required by SEC Rule 204A-1, we have adopted a code of ethics as part of our overall policies and procedures that applies to all of our employees. Designed to maintain and enforce our ongoing commitment to a high level of business and ethical conduct, the code of ethics addresses a variety of important matters, including:

- the standards of conduct expected of employees;
- the need to place the interests of clients before our own;
- the restrictions under which employees may affect personal securities transactions;
- the circumstances under which employees may deal with entities that transact business with us;
- the requirements for making political contributions to candidates for public office; and,
- the prohibition against insider trading

Clients or prospective clients may obtain a copy of the code of ethics by written request to our Chief Compliance Officer.

### **Personal Trading**

Our employees may buy or sell securities identical or related to those recommended for our clients. A potential conflict of interest may arise when an employee buys or sells a security in close proximity to the date of a purchase or sale of the same security on a client's behalf. Incentives to take advantage of the market effect of the latter may compromise the timing of the selection of a security, or the actual selection itself, thus negatively affecting client interests. Similarly, the market effect of an employee's trade may negatively affect a subsequent purchase or sale price obtained for a client. Accordingly, our code of ethics subjects all of our employees to, among other things, various restrictions relating to their personal securities transactions. These restrictions include:

- 1) Prohibition against trading while in possession of material non-public information ("insider trading");
- 2) Prohibition against investing in initial public offerings ("IPOs");
- 3) Restrictions on investing in private placements;
- 4) Prior written clearance of trades;
- 5) Restrictions on purchasing or selling a security within seven calendar days before or after the date on which a transaction in the same security is effected for a client (the "Blackout Period");
- 6) Restrictions on short-term trading in securities owned by our clients or which are being considered for purchase by our clients ("Short-Term Trading"); and,
- 7) Regular reporting of personal trades.

With regard to the Blackout Period and Short-Term Trading policies noted above, Vontobel generally prohibits employees from trading in violation of these policies except under the following circumstances: (1) purchases or sales that are non-volitional; (2) purchases or sales that are part of an automatic dividend reinvestment or other established plan; (3) purchases or sales effected upon the exercise of rights issued pro rata to all investors of a class of securities; or, (4) purchases or sales that Vontobel considers to be *de minimis* in amount, specifically, those on any one day of less than 2,000 shares. The code of ethics also addresses the fiduciary duties expected of our employees, including confidentiality obligations, gift and corporate opportunity policies, and restrictions on outside business activities.

### **Political Contributions Policy**

This policy establishes the procedures through which the Registrant complies with Rule 206(4)-5 under the Advisers Act. This rule regulates political activity by investment advisers that do business with government entities.

The intent of Rule 206(4)-5 is to remove any connection between the act of making political contributions to state and local government officials, and the awarding by such officials of government and public pension investment advisory business. The rule is designed to address these "pay-to-play" practices by:

- Prohibiting investment advisers from being compensated for investment advisory services provided to a state or local government entity for two years if covered employees of the Registrant make political contributions to certain officials of that government entity in excess of certain *de minimis* levels;
- Prohibiting solicitation or coordination of political contributions to such officials or certain state or local party committees;
- Only allowing employees of the investment adviser and certain regulated entities to solicit investment advisory business from government entities; and,
- Requiring investment advisers to maintain books and records relating to state and local government entity clients, political contributions, use of placement agents, and information relating to covered employees.

In furtherance of these regulatory strictures, the Registrant has adopted the following procedures:

1. Contributions: All employees are required to obtain approval from the Legal and Compliance Department prior to making any political contribution.
2. Coordinating or Soliciting Contributions, or Political Fundraising: All employees must obtain approval from the Legal and Compliance Department prior to coordinating or soliciting political contributions, or engaging in any other political fundraising.

3. Prohibition Against Establishing or Controlling a Political Action Committee (PAC) Employees are prohibited from establishing, controlling, contributing to or otherwise being involved with a PAC without pre-approval from the Legal and Compliance Department.
4. Indirect Contributions Employees are prohibited from performing any act which would result in a violation of Rule 206(4) -5 and/or this policy, whether directly or indirectly, or through or by any other person or means.
5. Volunteering for a Campaign Employees are not prohibited from volunteering to serve on political campaigns or providing any other services that would not be considered a Contribution under this policy.
6. Quarterly Political Contributions Certification Form At the end of each calendar quarter, employees are required to submit to the Legal and Compliance Department a Quarterly Political Contributions Certification Form.
7. Use of Placement Agents No employee may directly or indirectly use a third-party or an affiliate (i.e., anyone who is not an employee of the Registrant) to solicit a public official or government entity for investment advisory services without pre-approval from the Legal and Compliance Department.

## **ITEM 12. BROKERAGE PRACTICES**

### **Best Execution**

We have a fiduciary obligation to seek to obtain best execution for securities transactions on behalf of our clients, and broker-dealers are selected with a view toward obtaining best execution. Best execution entails seeking the best overall result for our clients. Accordingly, in evaluating broker-dealers for trade execution, we consider, among other things, commission rates, the price paid or received for a security, the financial integrity and condition of the broker-dealer, the ability to consummate and clear trades in an orderly and satisfactory manner, consistency in quality of service, research or other services provided by the broker-dealer, and broad market coverage resulting in a continuous flow of information concerning bids and offers. These factors are generally considered both in evaluating the performance of broker-dealers that we use and when placing a broker-dealer on our approved list. Specifically, we follow the following procedures:

Quarterly, our Trade Management Oversight Committee evaluates the trading techniques and strategies used by the firm and the performance of the broker-dealers we use. In evaluating such performance, members of the Trade Management Oversight Committee will generally consider the following:

- Input from portfolio managers, traders and other appropriate employees;
- Establishment of an acceptable commission range for trades;
- Information about the commissions paid over the previous quarters, including the extent to which the commissions exceeded a pre-established range and the circumstances that caused any deviation;
- Statistical and other information from consultants and vendors on the execution capabilities of broker-dealers;
- Quality of overall execution and other brokerage services provided by the broker-dealer;
- Quality and depth of research services (if any) provided by the broker-dealer;
- Specialization;
- Financial condition, credit worthiness and business reputation of the broker-dealer;
- Promptness and accuracy of oral, hard copy or electronic reports of execution;
- Any expertise the broker-dealer may have in executing trades for the particular type of security;
- Reliability of the broker-dealer;
- Soft dollar program of the broker-dealer;
- Whether the broker-dealer can maintain and commit adequate capital, when necessary, to complete trades;
- Whether the broker-dealer can respond during volatile market periods;
- The broker-dealer's level of trading expertise, including its ability to search for and obtain liquidity to minimize market impact, accommodate unusual market conditions, complete trades, execute unique trading strategies, execute and settle difficult trades, and maintain our anonymity; and,

Overall commitment to technology and its access to a trading system with the following characteristics: order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume.

### **Soft-Dollar Benefits**

In addition to the execution of client securities transactions, we may receive from the executing broker-dealer, proprietary or third-party investment research or other benefits. Part of the commission paid to the broker-dealer goes to pay for these benefits. This portion of the commission is called "soft dollars," the payment of which is regulated by Section 28(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Under that statute, to be eligible for a soft-dollar payment, a service or benefit must provide lawful and appropriate assistance to an investment adviser in the performance of its investment decision-making responsibilities. We use soft dollars to obtain proprietary or third-party research to assist our analysts, thereby enhancing our research effort. We may also use soft dollars to pay for certain brokerage services. Thus, we receive a benefit from soft dollars in that they obviate our need to produce or pay for such services or products.

We will only enter into a soft dollar arrangement if:

- client commissions are used to obtain eligible research or brokerage services or products;
- the primary use of the research or brokerage products or services directly assists us in our investment decision-making process (except to the extent of any "mixed-use" portion); and,
- we determine that any commissions paid by clients to a broker-dealer are reasonable in relation to the value of the research or brokerage products or services received by us on behalf of client accounts for which we have investment discretion.

We do not use soft dollars to assist in any way with the management of the firm. Currently, all services for which we use soft dollars are research services.

In this regard, we receive research services, including advice, either directly or through publications or writings, regarding:

- The value of securities, the advisability of purchasing or selling securities, and an understanding of the current liquidity and depth of a particular security;
- Analyses and reports concerning issuers, securities, industries or specific markets; and,
- Information on economic factors and trends, accounting and tax law interpretations, political and legal developments affecting portfolio securities, and assistance with portfolio strategies, performance analysis and risk measurement analysis.

Such research services are provided in the form of:

- Research reports;
- Technical analysis;
- Magazines and journals related to industry research;
- Mutual fund data;
- Stock price quotation and pricing services;
- Certain computer software that analyzes securities portfolios or performs other investment-related functions;
- News services;
- Portfolio modeling services;
- Portfolio risk management systems that aid in investment decision-making;
- Brokerage analysts' earnings estimates;
- Conference and seminars related to research;
- Performance measurement services that aid in investment decision-making
- Credit ratings service;
- Analytical software used for research;
- Information on economic trends, political developments, and performance analyses; and
- Meetings with corporate executives directly or through Expert Networks

Such brokerage products and services are provided in the form of :

- Post-trade matching of trade information;
- Exchanges of messages among broker-dealers, custodians, and institutions related to the securities transactions;
- Electronic communication of trade allocation instructions between institutions and broker-dealers;
- Routing of settlement instructions to custodian banks and broker-dealers' clearing agents;
- Short-term custody related to particular trades;
- Comparison services required by SEC or SRO rules, such as electronic confirms or affirmation of institutional trades;
- Connectivity services between us and the broker or other relevant parties, such as a custodian;
- Lines between a broker and an order managements system ("OMS") operated by a third-party vendor;
- Dedicated lines providing direct dial-up service between the money manager and the broker's trading desk;
- Message services to transmit orders to brokers;
- Trading software to route orders to market centers;
- Algorithmic trading software;
- Software functionality to transmit orders to direct market access ("DMA") systems; and
- Aspects of OMS, such as trading software to route orders, provide algorithmic trading software, and transmit orders to DMA systems.

These services may be produced or provided by the broker-dealer, or produced by a third party and provided by the broker-dealer, in accordance with Section 28(e) of the Exchange Act.

As indicated above, in selecting a broker-dealer to execute trades on behalf of clients, we seek to obtain "best execution." Best execution, however, is generally understood to mean the most favorable cost or net proceeds reasonably obtainable under the circumstances. Hence, in seeking best execution, we are not obligated to choose the broker-dealer offering the lowest available commission rate if, in our reasonable judgment, there is a material risk that the overall cost to purchase securities will be higher or the proceeds from the sale of securities will be lower than may be obtained elsewhere, or, if a higher commission is justified by the Section 28(e)-compliant research services or brokerage services provided by another broker-dealer, or, if other considerations dictate using a different broker-dealer. Examples of such considerations include the order size, the time required for execution, the depth and breadth of the market for the security, minimum credit quality requirements to transact business with a particular broker-dealer, or the quality of the broker-dealer's back office.

### **Third-Party Research and Brokerage**

We obtain a portion of our soft dollar benefits through client commission arrangements ("CCAs"). We have entered into CCAs with our key broker-dealers. To manage these CCAs, we currently maintain a centralized account with a third-party commission aggregator, Westminster Research Associates, LLC ("Westminster"). Through Westminster's services, soft dollar credits generated by trading with our executing broker-dealers are credited to a pooled account administered by Westminster. These pooled credits are then used to purchase third-party research at our direction. Under this arrangement, the executing broker-dealer and the third-party research provider are paid with a portion of the client commissions.

We seek to match the level of soft dollar credits accumulated within our pooled account with Westminster with our anticipated research needs. However, there may be surpluses or deficits in credits from time to time depending upon, among other things, the timing of usage of soft dollar research, our level of trading and other factors. Accordingly, we may permit broker-dealers to assign commission deficits or credits accumulated by us directly to Westminster, which would in turn be paid for with future credits pooled with Westminster.

The CCAs enable us to strengthen and focus our relationships with our key global broker-dealers, and limit the broker-dealers with whom we trade to those with whom we have an electronic interface. The electronic interface enables us to access a variety of liquidity pools, both lit and dark, using algorithmic strategies that help lessen impact and signaling costs. Through the use of fix connectivity, we are able to understand better the market microstructure and the latency associated with it, coupled with a reduction in trading costs.

At the same time, we are able to maintain relationships with the broker-dealers who provide research-related services to us. In addition, the ability to unbundle the execution and research components of commissions enables us to manage commissions more efficiently and to provide greater transparency to our clients in their commission reports.

In addition to trading with the broker-dealers in Westminster's network, we may trade with full service broker-dealers, Electronic Communications Networks, and Alternative Trading Systems.

### **Research Determinations**

When determining whether a particular research product or service is eligible under Section 28(e), we conclude that such product or service is eligible only if it provides us lawful and appropriate assistance in the performance of our investment decision-making responsibilities. In making this determination, we use our best judgment as a fiduciary to: justify the use of client brokerage to pay for the particular product or service; determine the exact nature of the product or service being acquired, including any components of the product or service; and, decide how we use the product or service. We will not deem a particular product or service to be eligible if it merely aids our marketing or business activities.

### **Mixed-Use Products and Services Allocations**

In some cases, a portion of a product or service acquired in a soft-dollar arrangement may be eligible under Section 28(e), while another portion may not. Examples of such mixed-use products and services are:

- Computer hardware and software used for research and administrative (back office) purposes;
- Performance measurement software or services that assist us with investment management and marketing; and,
- Stock quotation services that assist us when making investment management decisions and when computing the value of client accounts.

When we obtain mixed-use products or services in a soft-dollar arrangement, we:

- Analyze whether such services are: (a) eligible research or brokerage services ("eligible services"); (b) not eligible services; or (c) a mix of the two;
- For mixed-use products or services, determine which part (percentage) of the product or service's use constitutes eligible services and which part does not according to its anticipated use based on reasonable criteria (e.g., percentage of time used for eligible services and not eligible services);
- Pay for the eligible services with soft dollars and the non-eligible services with hard dollars (i.e., our own money); and,
- Create records demonstrating the allocation and rationale for the particular allocation.

### **Review of Soft-Dollar Practices**

Periodically, our Trade Management Oversight Committee:

- Meets with our investment management personnel regarding their use of the products and services received from broker-dealers;
- Verify that products or services are provided by the particular broker-dealer, either directly or indirectly through a properly structured third-party arrangement in accordance with the Registrant's procedures; and,
- Approve or deny any proposed changes to the list of approved broker-dealers utilized by the Registrant and the list of approved soft dollar arrangements.

### **Soft-Dollar Conflicts of Interests**

Section 28(e) of the Exchange Act permits an investment adviser to place a client trade with a broker-dealer that does not offer the lowest commission for a trade. You should be aware that we may pay a broker-dealer that provides brokerage and research services commissions in excess of the amount that another broker-dealer might have charged for effecting the same securities transaction. Such an arrangement presents a conflict of interest on our part. We may have an incentive to direct client trades to the broker-dealer that will provide the most services. We address this conflict by ensuring that commission payments are reasonable in terms of the value of the services to be obtained with soft dollars, in accordance with Section 28(e) and the policies and procedures discussed above.

Some of the brokerage and research services obtained with soft dollars benefit all clients (including clients who do not pay commissions to the broker-dealer relating to the brokerage and research service arrangements), while others may only benefit a specific segment of our clients. As a result, brokerage and research services may disproportionately benefit some clients relative to others based on the relative amount of commissions paid by them. Research that is paid for through one client's commissions may not be used in managing that client's account, but may be used in managing other client accounts. Additionally, a limited number of clients prohibit the use of commissions for soft-dollar purposes, although these clients may still benefit from services obtained with soft-dollar commissions generated by other clients' accounts. We do not attempt to match a particular client's trade executions with broker-dealers that provide brokerage and research services directly benefiting such client's account.

### **Liquidity of Securities**

With the global market becoming ever more fragmented, best execution now encompasses the ability to access a number of exchange or "dark" broker liquidity venues to execute securities transactions. Such venues include, but are not limited to, lit multilateral trading facilities, primary exchanges, dark exchanges and dark broker internal pools. We access these venues through

an electronic platform and the use of smart order routers. These routers provide entry into each liquidity venue in a systematic way that maximizes efficiency and anonymity.

Given the amount of security liquidity now taken off of standard exchanges and “hidden” within liquidity pools, best execution, particularly with respect to the impact of market effects, may be found increasingly through structured syndicated deals arranged through broker-dealers.

As markets become more fragmented, our use of algorithmic trading will continue to develop. Using this method, we are able to analyze the immediate cost of liquidity in each venue through the adverse selection of pools, among various other technical approaches.

### **Directed Brokerage**

In a directed brokerage arrangement, a client directs the investment adviser to send some or all of the client’s securities transactions to a designated broker-dealer. In exchange, the broker-dealer may agree to provide services to the client, pay certain client expenses, or make cash rebates. We neither require nor recommend that a client establish a directed brokerage arrangement. However, we do accommodate clients who direct us, in whole or in part, to use a particular broker-dealer. Additionally, under limited circumstances, we may allow clients to prohibit us from using particular broker-dealers for transactions in their accounts.

In this regard, clients should note that directed brokerage may cost them more money. Directed brokerage may limit our ability to obtain volume discounts on aggregated orders or obtain best price and execution for a particular transaction. When effecting aggregated orders on behalf of our clients, we attempt, when the circumstances are appropriate, to include in the bunched order transactions of clients who have directed the use of a particular broker-dealer. When it is not possible to include the order of such a client, brokerage orders for that client may result in greater transaction costs.

### **Aggregated Trade Orders**

Whenever feasible, we aggregate trade orders when we desire to purchase or sell the same security for multiple clients or accounts. We aggregate such orders for administrative convenience and to achieve lower execution costs that are typically associated with larger orders.

It is our policy and practice to obtain, in the Investment Management Agreement, consent from a client to aggregate or bunch trades with those of other clients. Such consent may also be obtained through a separate document signed by the client evidencing its consent to aggregate trades.

We have implemented policies and procedures that prohibit the firm from aggregating client orders unless such orders are in the best interests of each client participating in the order, consistent with our duty to obtain best execution, and consistent with the terms of the Investment Management Agreement or other agreement with each participating client.

Additionally, no client account will be favored over any other account in the order. The price of the securities purchased or sold in an aggregated order will be at the average share price for all transactions of the clients in that security on a given day, with all transaction costs shared on a pro rata basis irrespective of the order size of each client involved in the aggregated trade. Our Trade Management Oversight Committee reviews aggregated trades periodically to ensure that our policies and procedures in this area are followed.

A potential conflict of interest may arise when an investment adviser aggregates client orders with orders on behalf of any account in which the investment adviser or any of its employees have an economic interest (i.e., a proprietary account). Accordingly, we prohibit the aggregation of any such account with client orders. However, clients should be aware that Vontobel and certain employees may have interests in the Commingled Funds, mutual funds and other pooled investment vehicles that we advise or sub-advise. Due to the pooled nature of these vehicles, it is not feasible to trade such interests separately.

### **ITEM 13. REVIEW OF ACCOUNTS**

Our Portfolio Compliance Officer or designee reviews client portfolios on a daily basis to ensure that client guidelines are followed and that portfolio holdings remain consistent with the particular investment strategy selected by the client. In carrying out these responsibilities, the Portfolio Compliance Officer or designee uses the Charles River Investment Management System (CRIMS) to perform pre- and post- trade portfolio compliance. This automated portfolio monitoring tool is a Web-based system that allows us to monitor various types of investment policy guidelines, restrictions and limitations. The pre-trade compliance module of this system is an integral part of the firm's trading system. Prior to a transaction being sent to a broker-dealer for execution, that transaction is automatically checked by the pre-trade compliance module for compliance with investment guidelines and restrictions. If a potential transaction is stopped by the pre-trade compliance module, an alert is generated and the transaction is flagged for the Portfolio Compliance Officer or designee's review and analysis. The pre-trade compliance system does not allow employees on the portfolio management team or traders to complete or cancel a transaction flagged for review. The system requires the Portfolio Compliance Officer or designee either to authorize the transaction to be completed, or cancel the transaction in the trading system prior to its execution.

Similarly, the Portfolio Compliance Officer or designee utilizes CRIMS to perform post-trade compliance. Accounting data is fed directly from the back office book of record overnight, and clients' portfolios are checked each day. In the event that any investment parameters have been breached, the client is notified.

All of our portfolio managers are also responsible for reviewing client accounts to ensure investments are within client guidelines and firm policy. In addition, on a quarterly basis, our Investment Policy Committee monitors investment performance, portfolio composition, dispersion of returns, benchmark appropriateness, proxy voting, and compliance with investment guidelines.

In addition, an impromptu portfolio review by a portfolio manager may be triggered by major events, such as a developing trend toward dispersion of returns among accounts managed in the same asset class, or a request by the client to change the investment objective of the account.

#### **Standard Reports**

We offer our clients a broad array of written reports. We also provide educational seminars for our clients upon request.

At a minimum, our clients typically receive the following written reports:

<b>Report</b>	<b>Description of Content</b>	<b>Frequency</b>
Client Statement	Client portfolio overview	Monthly and Quarterly
Investment Commentary	A quarterly overview of the market, performance and outlook	Quarterly

Monthly/quarterly client statements include the following written documents:

- 1) Portfolio Characteristics
- 2) Performance Review
- 3) Attribution
- 4) Asset Summary
- 5) Country Exposure Holdings Report
- 6) Detailed Holdings by Country
- 7) Sector Exposure Holdings Report
- 8) Detailed Holdings by Sector
- 9) Currency Exposure by Asset Category
- 10) Investment Transaction Summary
- 11) Income and Expense Summary
- 12) Transaction Detail by Security
- 13) Broker Commission by Broker
- 14) Change In Book and Market Value
- 15) New and Sold Positions

Client portfolio statements are generally available fifteen business days after month-end.

**ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION****Solicitation Arrangements**

We do not currently utilize the services of third-party solicitors for client referrals. We have, however, entered into an agreement with Bank Vontobel AG to introduce to us potential clients located in Europe and the Middle East. We have also entered into agreements with Vontobel Asset Management Asia Pacific, Ltd. and Vontobel Asset Management, S.A. to introduce potential clients located in Asia and Europe, respectively. These affiliates are required to perform their duties in a manner consistent with the Advisers Act and applicable law. We generally compensate these affiliates with a fee equal to a percentage of the client's assets under management. Clients who are introduced to us by these affiliates are not charged any additional fees or a greater investment management fee as a result of the introduction. In other words, we are solely responsible for paying these affiliates for their services on an intercompany basis.



**ITEM 15. CUSTODY****Separate Accounts**

We do not have custody of any client funds or securities for any of the separate accounts that we manage. All client assets are held by an independent qualified custodian selected by the client.

**Commingled Funds and Vontobel India Fund**

We do not have actual custody of funds or securities in the Commingled Funds. All funds and securities are held with an independent qualified custodian. However, we may be deemed to have constructive custody of client assets under Rule 206(4)-2 of the Advisers Act due to our authority to instruct the custodian to deduct and pay us investment management fees directly from the assets held by the Commingled Funds. In accordance with Rule 206(4)-2 of the Advisers Act, financial statements for the Commingled Funds are audited on an annual basis by an independent accounting firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The results of the audits are delivered to investors in the Commingled Funds within 120 days after the funds' fiscal year-end. Additionally, if requested, investors in the Commingled Funds receive reports and statements from us, which may also include account statements prepared by the custodian. These investors should carefully review the account statements prepared by the custodian against the reports and statements prepared and disseminated by us for any discrepancies.

**ITEM 16. INVESTMENT DISCRETION**

We accept discretionary authority to manage accounts on behalf of our clients. The terms of our discretionary authority are set forth in the Investment Management Agreement entered into with each client.

**Acquisition of Discretionary Authority**

Client Investment Management Agreements typically grant us full power and authority to buy, sell and otherwise deal in securities in the account, either in our capacity as investment manager alone, or coupled with limited powers of agent and attorney-in-fact for directing investments.

Vontobel also enters into advisory service agreements with affiliated investment advisers and institutional investors to provide non-discretionary investment advice in the form of model portfolios

## **ITEM 17. VOTING CLIENT SECURITIES**

### **Policy Guidelines for Voting Proxies**

Clients may opt to have us vote proxies on their behalf. We rely on an outside proxy voting service provider for proxy voting research and guidance. A copy of our proxy voting policies and procedures is available to clients upon request. We will provide clients with a summary of the proxy votes cast for their portfolio on a quarterly basis upon a client's written request. Clients can change their proxy voting option at any time by providing us with written notice.

Because the outcome of shareholder votes may affect investment values, we exercise an important responsibility by voting proxies. We support the right of shareholders to submit important matters for inclusion on a company's proxy statement. In each case – whether a proposal is introduced by management or shareholders – we vote based on the financial interest of our clients.

There may be jurisdictions which require a power of attorney in order for us to vote proxies on behalf of the client. It is the client custodian's responsibility to ensure a valid power of attorney is on file. In situations where this requirement has not been met, a proxy vote may not be completed for ballots in that jurisdiction. There also may be instances where at the sub custodial level, there are multiple managers who may vote differently for the same proposal. A proxy vote may not be completed for ballots with split voting.

Pursuant to SEC Rule 206(4)-6, we have adopted policies and procedures for voting proxies. The key objective of our policies and procedures is to recognize that a company's management is entrusted with the day-to-day operations and longer term strategic planning of the company, subject to the oversight of the company's board of directors. While ordinary business matters are primarily the responsibility of management and should be approved solely by the corporation's board of directors, this objective also recognizes that the company's shareholders must have final say over how management and directors are performing, and how shareholders' rights and ownership interests are handled, especially when matters could have substantial economic implications for the shareholders. Therefore, we will pay particular attention to the following matters in exercising our proxy voting responsibilities as a fiduciary for our clients:

Accountability. Each company should have effective means in place to hold those entrusted with running a company's business accountable for their actions. Management of a company should be accountable to its board of directors and the board should be accountable to shareholders.

Alignment of Management and Shareholder Interests. Each company should endeavor to align the interests of management and the board of directors with the interests of the company's shareholders. For example, we generally believe that compensation should be designed to reward management for doing a good job of creating value for the shareholders of the company.

Transparency. Timely disclosure of important information about a company's business operations and financial performance enables investors to evaluate the performance of a company and to make informed decisions about the purchase and sale of a company's securities.

### **Decision Methods & Conflicts of Interests**

The sheer number of proxy votes related to client holdings makes it impossible for us to research each and every proxy issue. Recognizing the importance of informed and responsible proxy voting, we rely on Institutional Shareholder Services (ISS) to provide proxy voting research and guidance. In most cases, we vote in accordance with ISS's recommendations, but we reserve the right to disagree or override a recommendation if we see fit or if the firm is otherwise advised by the client in writing. In those instances, a memorandum or formal email will be written to document the research presented, discussion points and final decision regarding the vote. The CCO or designee shall be responsible for ensuring that such documentation is prepared and maintained by the firm. The Investment Policy Committee (IPC) will review all changes to proxy votes for the quarter that are contrary to ISS recommendation to ensure no conflicts of interest or any other relevant issues.

Conflicts of interest can arise when a particular proxy vote pits the interests of an investment adviser against those of a client, where, for example, the issue of an investment adviser's fees is somehow involved. Other possible conflicts include where an investment adviser manages an issuer's retirement plan, or an investment adviser or an employee has a business relationship with an issuer. Conflicts of interest can arise in many other ways as well. Whenever a proxy vote presents a material conflict between the interests of a client, on the one hand, and the firm's interests or the interests of a person affiliated with the firm on the other, we will use one of the following methods to resolve the conflict, provided the method results in a decision that is based on the client's best interest:

- Provide the client with sufficient information regarding the shareholder vote and our potential conflict with the client, and obtain the client's consent before voting;
- Vote securities based on the pre-determined voting policy set forth herein;
- Vote client securities based upon the original recommendation of ISS; or,
- Request the client to engage another party to determine how the proxies should be voted.

With respect to registered investment company clients, we will resolve all conflicts by voting pursuant to ISS's recommendations.

Our proxy voting policies and procedures apply only to those clients who in their Investment Management Agreements have chosen to have us vote their proxies. Those clients who have not chosen to have us vote their proxies will receive their proxies or other solicitations directly from their custodian, who will be solely responsible for providing clients with information about a particular solicitation.

**Voting Records**

To obtain a record of votes cast on its behalf, a client should contact Andrea Cheung at 212-804-9360 or at [andrea.cheung@vontobel.com](mailto:andrea.cheung@vontobel.com). Clients may also obtain a copy of our proxy voting policies and procedures upon request.

**ITEM 18. FINANCIAL INFORMATION**

Under this Item, registered investment advisers are required to provide certain financial information or disclosure about their financial condition. We have no financial condition that would impair our ability to meet any contractual commitments to our clients.