

# Form ADV Part 2A Brochure

## Item 1 – Cover Page

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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Genesis Asset Managers, LLP (the “Firm” or “GAM”). If you have questions about the contents of this Brochure, please contact Robert Bricout at +44 20 7201 7200 or [bricout@giml.co.uk](mailto:bricout@giml.co.uk). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about the Firm is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with the Firm who are registered, or are required to be registered, as investment adviser representatives of the Firm.

Although the Firm is registered as an investment adviser under the Investment Advisers Act of 1940, such registration does not imply that the Firm or our personnel have a certain level of skill or training.

## Item 2 – Material Changes

This item requires us to summarise any material changes to our Form ADV Part 2A since our last update on 30<sup>th</sup> April, 2019. The following material changes to the current Form ADV Part 2A are as follows:

- Item 4 – Updates to Ownership, Governance and Assets Under Management
- Item 5 – Updates to the management fee schedule for a new investor in a global emerging markets fund managed
- Item 6 – Updates to frequency of allocation tests for Performance Based Fees
- Item 7 – Updates to Types of Clients
- Item 12 – Best Execution – Selection Factors for Brokers
- Item 14 – New Relationships with Third Party Solicitors

We also made certain other non-material changes throughout the Form.

In July 2019 we updated the Form ADV Part 2A Brochure to reflect recent changes in our organisational structure. As a part of an internal reorganisation effective after the close of business on 30<sup>th</sup> June, 2019 (the “Reorganisation”) designed to simplify the Genesis corporate structure, in line with a wider strategy to simplify our business model allowing management to focus more on core competencies and the direct running of the business from the UK, Genesis Investment Management, LLP (“GIM”), an investment adviser under the Investment Advisers Act of 1940 and formerly the Firm’s subsidiary, obtained 100% ownership of the Firm and substantially all of the assets and liabilities of the Firm were assigned to and assumed by GIM, with the exception of certain domestic Chinese equity securities held via the Firm’s Qualified Foreign Institutional Investor (“QFII”) licence (such equity securities, the “QFII Securities”). Other than the QFII Securities, assets under management previously reported in the Firm’s Form ADV filings are now being reported in GIM’s Form ADV filing as a result of the transactions contemplated by the Reorganisation. After giving effect to the Reorganisation, Affiliate Managers Group, Inc. (“AMG”) remains as the owner of a majority of the equity interests of the Genesis Group. As part of the Reorganisation, the Firm’s client investment management agreements or equivalent documents were assigned or novated to GIM. The Firm now provides investment services to GIM and its clients under an Intra-group QFII Agency Agreement. The portion of the Genesis portfolio managed by the Firm is comprised solely of the QFII Securities.

Additional information about the Firm is also available via the SEC’s website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4 – Advisory Business

Genesis Asset Managers, LLP (the “Firm”) specialises in managing investments in emerging market equities for institutional investors. Please see Item 7 of this Brochure for more information with respect to the Firm’s clients. The Firm provides such investment management services on a discretionary basis.

The Firm was organised in Delaware in 2004 but taking into account its predecessor entities, the Firm has been in business since 1989. The Firm currently has two corporate partners including the Firm’s parent entity, Genesis Investment Management, LLP (“GIM”), and a trust and operates through a series of boards/committees and appointments described below. The Firm’s principal office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY. The Firm serves as a sub-adviser to various clients, including, but not limited to, pension plans, endowments, foundations, investment companies and governmental entities. These are clients of GIM, which is appointed by the clients as the investment manager. GIM in turn has delegated to the Firm certain of its investment management responsibilities with respect to domestic Chinese investments held via the Firm’s Qualified Foreign Institutional Investor (“QFII”) licence. As part of the Reorganisation, each of the Firm’s client investment management agreements or equivalent documents in effect prior to the Reorganisation were assigned to GIM, which had the effect of making GIM the appointed investment manager for each such client. Please see Item 7 of this Brochure for more information with respect to the Genesis Group’s clients.

### Principal Ownership

GAM is a wholly owned subsidiary of GIM. Affiliated Managers Group, Inc., a publicly-traded asset management company (NYSE: AMG) with equity investments in boutique investment management firms (“AMG”), owns a majority of the equity interests of the Firm indirectly through its ownership of three wholly owned subsidiaries: AMG Genesis, LLC, AMG Atlantic Holdings Ltd and AMG New York Holdings Corp, which are the direct and indirect owners of the equity interests of GIM.

AMG also holds equity interests in other investment management firms (“AMG Affiliates”). Each of the AMG Affiliates, including the Firm, is operated autonomously and independently, except as described in this Brochure. Further information on both AMG and AMG’s Affiliates is provided in Item 10.

The remaining interest in GIM is owned indirectly by ten individual partners, a corporate partner and a trust, which facilitates the recycling of partnership interests and future awards for the benefit of individual partners. Since the formation of GIM in 2004, the individual partners in aggregate have held approximately 40% of the equity in issue and AMG has held the balance of 60%. After giving effect to the Reorganisation, the individual partners and trust in aggregate own approximately 41% of the equity in issue and AMG owns approximately 59%. Three of the individual partners and the trust each own more than 5%.

The individual partners have each contributed capital to the Firm and entered into a commitment to remain in the Firm for a minimum fixed period. Nine of these partners are Investment Team members and the tenth partner serves as the Managing Director and Chief Compliance Officer (“CCO”). Further details on these individuals are included in the Brochure Supplement.

GIM’s Governing Board is comprised of three senior AMG representatives and two Genesis representatives. The Governing Board deals by exception with major corporate matters including the admissions or retirement of individual partners. Authority to set policy on all other matters, including investment management policy, to GIM’s Operating Board under GIM’s partnership agreement.

GIM is managed by its Operating Board which is comprised of the Joint Managing Partners, the Managing Director (who is also CCO), and two independent non-executive members. The Operating Board has overall responsibility for managing the Firm. The day-to-day business is overseen by several formal committees which include the Portfolio Coordination Team (“PCT”) (Investment), Operations Executive Committee (“OpEx”), Group Audit Committee and Group Risk Committee. In addition to the formal committees, certain matters are delegated to a number of management committees, including the Valuation Committee, Risk Management Committee, Business Continuity and Cyber Security Committee,

Product Governance Committee, Service Provider Oversight Committee and Conduct Breach Committee. Such committees meet regularly and are comprised of partners, directors and certain members of staff.

## **The Firm**

GIM is managed by an Operating Committee which is comprised of six independent non-executive members and two GIM Partners and meets on a quarterly basis. The members of the Operating Committee are experienced professionals and their details are set forth in the Brochure Supplement. The majority of business matters are considered by the Operating Committee as a whole with the exception of certain financial and risk matters which are the responsibility of the Group Audit Committee and Group Risk Committee respectively. The Audit Committee is composed of three of the independent members of the Operating Committee and is responsible for certain financial and internal control matters, including monitoring and reviewing the internal financial control systems, reviewing the Firm's accounting policies, making recommendations to the Operating Committee in relation to the appointment of external auditors, monitoring the independence and objectivity of auditors, and reviewing the annual financial statements. The Group Audit Committee meets quarterly. The Group Risk Committee is composed of four independent members of the Operating Committee. Its role is to oversee risk functions throughout GIM and the Firm and monitor how these functions are applied to client portfolios. The Group Risk Committee meets quarterly.

## **Genesis Group Structure and Reorganisation**

The "Genesis Group" is organised as two interlocking entities, both of which are registered as investment advisers under the Investment Advisers Act of 1940. Prior to the Reorganisation, the Firm was the parent of the Genesis Group and was appointed by clients as an investment manager/adviser. Upon consummation of the Reorganisation after the close of business on 30<sup>th</sup> June 2019, GIM (formerly a subsidiary of the Firm) became the parent of the Genesis Group and assumed ownership and substantially all of the assets and liabilities of the Firm, with the exception of the QFII Securities. After the Reorganisation, clients of the Genesis Group appoint GIM as their investment manager/adviser and GIM delegates to GAM certain of its responsibilities relating to QFII Securities. The delegation of GIM's investment management responsibilities to the Firm is set forth in a written Intra-group QFII Agency Agreement.

The consummation of the Reorganisation did not result in a change in the form of organisation of the Firm, a dissolution of the Firm, nor a change in the state or territory in which the Firm is organised. After giving effect to the Reorganisation, AMG remains the owner of a majority of the economic interests of the Genesis Group. After the transfer of the Firm's client investment management agreements or equivalent documents to GIM as part of the Reorganisation, investment advisory services continue to be provided by GIM, which is a registered investment adviser under the Investment Advisers Act of 1940. Although each of GIM and the Firm are registered as investment advisers under the Investment Advisers Act of 1940, such registration does not imply that GIM, the Firm or their respective personnel have a certain level of skill or training.

More details on GIM are available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Advisory Services**

The Firm aims to generate excellent long-term investment performance in emerging market equities for institutional clients. The Firm may invest client assets in domestic Chinese equity securities listed on the Shanghai and Shenzhen Stock exchanges ("A-Shares"). The Firm primarily utilises its own independent research and analysis, and uses a bottom-up investment approach to create a diversified portfolio of equities which complement GIM's wider diversified client portfolios. The Firm does not construct portfolios with reference to an index. The Firm believes that it can best deliver excellent long-term investment performance by working as a team to make investments in quality businesses at attractive prices.

As a general principle, the Firm does not use derivatives to supplement investment strategy and the Firm does not short stock. The Firm does not hedge directly against currency fluctuations between the currencies of emerging markets stocks and its base currency of US\$.

### **Wrap Fee Programmes**

The Firm does not have any involvement in wrap fee programmes, whereby clients select an investment adviser to manage funds through an investment programme presented to the clients by a third-party programme sponsor and clients generally pay the wrap programme sponsor a single fee (called a “wrap fee”) for consulting, brokerage, custodial, portfolio monitoring, and investment management services and such sponsor pays a portion of the wrap fee to the investment adviser.

### **Foreign Exchange (“FX”) Transactions**

Foreign exchange transactions for client accounts are generally limited to those necessary to settle trades in securities which are not denominated in US\$. The key factors in informing the Firm’s approach on FX are: FX is not a discretionary part of the investment management process; FX transactions are undertaken to minimise operational risk and maximise efficiency and best execution. The Firm does not hedge directly against currency fluctuations between CNY and the portfolio’s base currency of US\$.

Foreign exchange transactions are executed exclusively with the sub-agent (Deutsche Bank China) on instruction from the global custodians, who have in turn received an instruction from us with trade economics. The local custodian is responsible for executing FX transactions, including the timing and applicable rate, of such execution pursuant to its own internal processes. This strategy is account-wide and does not vary between pooled and segregated investment mandates. The firm does not engage in hedging strategies to mitigate the risk of CNY fluctuations versus the base currency of US\$.

The Firm also instructs other types of FX transactions, such as those related to dividend and interest repatriation.

### **Assets Under Management**

As of 31<sup>st</sup> December 2019, the Genesis Group’s client assets under management total (“AUM”) was US\$20.8 billion all of which is managed on a discretionary basis. Of this, the Firm’s client AUM was US\$248 million, which is comprised of the value attributable to the QFII Securities. Please see Firm’s Form ADV Part 1A – Item 5.F for more information.

### **Other Jurisdictions**

The Firm holds a QFII licence in China.

## **Item 5 – Fees and Compensation**

The Firm receives fees for investment advisory, administration and support services from GIM at a rate agreed between GIM and the Firm from time to time pursuant to the terms of a written Intra-group QFII Agency Agreement, which fees may include a fee based on the percentage of assets under management by the Firm and/or fixed fees. Fees are payable at such times and frequencies as agreed by the parties to the Intra-group QFII Agency Agreement.

Further information on the management fees charged to GIM clients is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

### **Performance-Based Fees**

The Firm does not charge fees based on performance or the net profits of the assets being managed.

Further information on the performance fees charged to GIM clients is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Side-by-Side Management**

As a specialist in emerging market equities, (core product – one format), our investment professionals simultaneously manage multiple types of client portfolios (including separate accounts and pooled funds) according to the same or a similar investment strategy (i.e., side-by-side management). The simultaneous management of these different portfolios creates certain potential conflicts of interest, as the fees for the management of certain types of client accounts may be higher than others. Nevertheless, when managing the assets of such accounts, the Firm has an affirmative duty to treat all such accounts fairly and equitably over time.

Although the Firm has a duty to treat all portfolios within an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that the Firm use the same investment practices consistently across all portfolios. In general, investment decisions for each client account may be made independently from those of other client accounts, and will be made with specific reference to the individual objectives of each client account. Furthermore, different client guidelines and/or restrictions, operational issues such as custody facilities and availability of cash, may lead to the use of different investment practices for portfolios within a similar investment strategy. As a result, although the Firm manages numerous portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Since side-by-side management of various types of portfolios raises the possibility of favourable or preferential treatment of a portfolio or a group of portfolios, the Firm has procedures designed and implemented in furtherance of its efforts to treat all portfolios fairly and equally over time. See controls outlined above.

By utilising these procedures, the Firm believes that portfolios that are subject to side-by-side management alongside other products are receiving fair and equitable treatment over time.

## **Item 7 – Types of Clients**

Unless otherwise specified, the clients referred to in this Brochure shall refer to the clients of GIM.

### **Types of Clients**

The Firm, by virtue of the delegation from GIM, provides portfolio management services to institutional clients including corporate pension and certain defined contribution plans, Taft-Hartley plans, public pension plans, charitable institutions, foundations, endowments, registered mutual funds (on a sub-advisory basis), private investment funds, limited partnerships, trust programmes, sovereign funds, foreign collective investment funds such as SICAVs (Société d'Investissement A Capital Variable), and other U.S. and international public, quasi-public, and private institutions.

### **Conditions for Managing Accounts**

As a general rule, GIM currently requires a minimum account size of US\$75 million for institutional investors in its pooled funds and US\$400 million for segregated client accounts. However, the minimum account size may be waived or modified at GIM's discretion. Lower minimums have applied in the past. Generally, GIM requires each client to execute an investment management agreement that details the nature of the discretionary investment advisory authority given to the Genesis Group. With respect to investments in pooled vehicles established by GIM, a summary of the terms of the investment management agreement as between the pooled vehicle and GIM are generally set forth in the offering document for such fund.

The Genesis Group had been closed to new clients since November 2011, and any new subscriptions from existing clients since January 2015. In November 2018, Genesis Group took the decision to reopen to limited new subscriptions in the second quarter of 2019, capping inflows as a percentage of prior-year outflows. The Genesis Group's intention with this soft reopening was to accommodate existing clients who are growing, and potentially welcome a limited number of new clients for the first time in eight years. The Genesis Group expects to remain capacity constrained but soft-opened for new assets for the foreseeable future.

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

### **Strategy Overview**

The Genesis Group is a series of two interlocking discretionary asset management firms specialising in emerging market equities. All client portfolios of the Genesis Group consist of global emerging market equities.

The Genesis Group uses a pure bottom-up investment approach and we follow a stock-picking investment philosophy. We believe that we can best deliver excellent long-term investment performance by working as a team to make investments in quality businesses at attractive prices.

We have a long-term investment horizon. Our primary emphasis is on the analysis and interpretation of information from individual companies operating in emerging markets. We expect to create value for our clients through our analysis and valuation of businesses rather than through macro-economic forecasting. At the same time, investment judgement requires the incorporation of macro-economic risks.

The Genesis Group's client portfolios are diversified across countries and industries and are comprised of approximately 100-120 holdings. Of this, the Firm's investments under its QFII licence for the client portfolios currently consists of four holdings. We concentrate on a limited number of ideas so that our research can be deeper and our insights more valuable. The average holding period of investments in client portfolios has been over five years and we expect this characteristic to persist.

### **Investment Process**

The Genesis Group Investment Team is structured to enable a cohesive team of experienced investors to generate fundamental research insights and, subject to rigorous challenge, express those insights in client portfolios. The primary division is by country but team members also take responsibility for global industry research. All the Investment Team members are based in a single office.

Portfolio managers directly oversee clients' portfolios and are individually accountable for investment decisions. At the same time, Investment Partners—as the owner-operators of the Genesis Group—share overall responsibility for the performance of clients' portfolios.

We aim to reflect investment ideas in portfolios at weights that can make a meaningful contribution to performance. Weighting decisions require a deep understanding of a business and expected returns based on various scenarios. Weighting also requires a good knowledge of the existing portfolio including the competing ideas. Portfolio weights take into account conviction, quality of company, expected return, investability and correlated risks.

The Portfolio Coordination Team ("PCT") is comprised of a three-member sub-group of the Investment Team, including the Managing Partner (permanent member), the Chair and a rotating third member, plus one representative of the Risk Management Committee who is functionally and hierarchically separate from the Investment Team. Its primary role is to:

- Ensure that Investment Team members act in accordance with our agreed process
- Analyse, and provide feedback to team members about portfolio risk and return
- Coordinate and initiate process improvements and investment discussions



The PCT operates on behalf of the team and acts in a manner which preserves our shared ownership of the process and honours our non-hierarchical organisational philosophy. The PCT does not make investment decisions.

In line with our philosophy, all members of the team take responsibility for company analysis. Each investment has a portfolio manager and back-up, a detailed valuation model and a written investment case.

For any purchase or sale in client portfolios, we require:

- A Portfolio Manager recommendation: All recommendations are circulated to the entire investment team. Portfolio Managers need to allow a reasonable period for any feedback. A Portfolio Manager recommendation requires the presence of:
  - The investment case document
  - The valuation model stored on our investment database, providing an assessment of the intrinsic value (IV) of the business
  - A recommended portfolio weighting and price limit
- Portfolio Coordination Team (PCT) approval
  - Evidence that the process has been followed
  - Consideration of the recommended investment's effect on portfolio risk and return

Once these requirements have been met, both the investment and its weighting are the responsibility of the Portfolio Manager.

## **Modelling and Valuation**

To enhance returns we aim to invest at a discount to IV. Spreadsheet models are the tools we use for the IV assessment. Our valuation yardstick is the five-year annualised expected return expressed in US dollars.

- Fair value: We believe a 10% US\$ expected return annualised over five years represents a reasonable long-term return for our clients
- While our spreadsheet models reflect reasonable base case scenarios, our IVs reflect our best estimate of what businesses are worth. Dispersion of outcomes around the IV informs the portfolio weighting.

Our investment database provides a standardised output to enable the comparability of our valuation models. Models are a tool not only for assessing intrinsic value, but also for providing the rest of the team with a transparent description of the drivers of that value. The model helps back-ups, sector specialists, the broader team and the PCT to provide robust, constructive challenge.

## **Risk Management**

The most relevant way to think of investment risk is, in our view, the risk of disappointing investment returns, either on an absolute or relative basis. This risk manifests in two ways:

- Stock-specific risk: holdings where disappointing fundamental performance results in poor client investment returns
- Portfolio risk: performance risks across groups of holdings and benchmark omissions, relating to the way in which the portfolio has been constructed

We manage risk in several ways, including:

- Our philosophy encourages risk management. By making investments in quality businesses at attractive prices we mitigate the risk of intrinsic value erosion and the risk of over-payment.
- Our process encourages risk management. Constructive challenge from other team members serves to alert portfolio managers of any risks and opportunities they may not have considered fully.
- The PCT plays a key role in risk management

- Despite the various risk management measures, our process places a significant responsibility on portfolio managers. The risk that a portfolio manager fails to generate performance over a prolonged period, despite following our process, is real. This risk is managed by the Managing Partner, who is responsible for managing Investment Team resources.

We do not track any benchmark index but, to mitigate relative risk, the largest stocks in the investable universe are regularly reviewed in team discussions.

## **Related Risks**

Investment in emerging markets involves a multitude of risks. All emerging market securities include a risk of loss of principal and any profits that have not been realised. The stock markets, on which such emerging market securities trade, can fluctuate substantially and performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets the Firm manages on its clients' behalf, and such a loss may be out of our control. We cannot guarantee any level of performance and cannot guarantee that clients will not experience a loss of account assets.

Investment in emerging markets may involve additional risks not typically associated with investing in high-income economies. Such risks include but are not limited to those specifically discussed below.

Some of the emerging market countries have securities markets to which foreign investors have only limited direct or indirect access, while others have securities markets to which foreign investors do not presently have access. While the Firm would expect that at some time in the future some or all of these markets will become accessible to foreign investors, there can be no assurance that this will be the case.

In certain emerging market countries, portfolio investment by foreign investors may require consents or be subject to limitations, and repatriation of investment income, capital and the proceeds of sales by foreign investors may require government registration and/or approval. A client's portfolio could be adversely affected by delays in or a refusal to grant any required government approval or licence or by the lack of availability of foreign exchange.

A client's portfolio will be invested in securities of companies in various countries and income will be received by the client in a variety of currencies. However, the Firm will compute the portfolio's net asset value in US dollars. The value of the assets of the client's portfolio as measured in US dollars may be affected favourably or unfavourably by fluctuations in currency rates and exchange control regulations. The Firm does not hedge against currency movements or other risks. Further, the client's portfolio may incur costs in connection with conversions between various currencies.

Companies in emerging market countries are not always subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in high-income economies. As a result, investment decisions may be based on less accurate and limited information. In addition, there is generally less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies in emerging market countries than in countries with more advanced securities markets. Capital requirements for brokerage firms are generally lower in emerging market countries. Further, foreign investors may encounter difficulties or be unable to pursue legal remedies and obtain judgments while practical settlement difficulties are more common than in high-income economies.

Part of a client's portfolio will generally be invested (directly or indirectly) in the securities of small or medium capitalisation companies. Such securities may have a more limited market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small or medium capitalisation companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports.

Additionally, some of the companies in whose securities a client's portfolio may be invested may have limited operating histories. Such businesses may be characterised by a lack of (i) market-oriented experienced management, (ii) modern industrial technology and (iii) a sufficient capital base with which to develop and expand their operations. As a result, the availability, quality and reliability of corporate information and equity research (including official data) is likely to be lower than that which is used to evaluate investments in high-income economies, with the attendant risk that pricing decisions may be less than optimal to the extent they are based upon inaccurate or insufficient information.

Brokerage commissions, custodial services, and other costs relating to investment activities are generally more expensive in emerging market countries than in high-income economies. Such markets have different clearance and settlement procedures, which can be less developed and reliable. Certain emerging market countries' markets use physical share delivery settlement procedures. Satisfactory custodial services may be unavailable and the client may be exposed to risk in circumstances in which the custodian and sub-custodian have no or limited liability or where recovery may be conditioned on the ability to recover in the relevant market. In such instances, the client may be required to bear the full custody risk in such countries in order to access such investments. Furthermore, the client may experience additional cost and delays in transporting and maintaining custody of securities outside such countries. In such circumstances there may be share registration and delivery delays, and settlements may lag, making it difficult to close securities transactions. Inability to dispose of a security on a timely basis due to settlement problems could result in losses to the client.

A client's portfolio may be invested in participation notes or similar equity linked instruments issued by a bank or broker-dealer to access certain markets where direct investment is not available or permitted. Investments in such participation notes involve the same risks associated with a direct investment in the securities of the underlying company that they seek to replicate and are also subject to the risk that the issuer of the participation note will not fulfil its contractual obligations.

A client's portfolio may have exposure to local shares which are held in the legal name and/or account set up by of the Firm or its affiliates in order to satisfy local requirements including for example, local China A-shares held under the Qualified Foreign Institutional Investor ("QFII") and Renminbi Qualified Foreign Institutional Investor ("RQFII") programmes. Such holdings are subject to the rules and restrictions under QFII and RQFII regulations including rules on investment restrictions, minimum investment holding period and repatriation of principal and profits. The uncertainty and change of the laws and regulations may adversely impact the client and the rules and regulations which regulate QFII and RQFII investment are also subject to changes.

The client may also have exposure to China A-shares which are transacted through the cross border investment channel between Hong Kong and the Mainland China market, called Stock Connect. Stock Connect is subject to quota limitations which may restrict the Fund's ability to deal via Stock Connect on a timely basis. This may impact the Fund's ability to implement its investment strategy effectively.

In many of the emerging market countries there may be limited organised public trading markets for securities with little liquidity or transparency, resulting in relatively slow and cumbersome execution of transactions. In particular, there may be no approved settlement procedure and trades may be settled by a free delivery of stock with payment of cash in an uncollateralised manner. This may give rise to a credit risk in relation to the counterparty. In general there may be an increased risk of defaults and delays in settlement compared to the markets in high-income economies. As a result, a client may experience difficulty in realising all entitlements attaching to the securities acquired.

A client's portfolio may be engaged in a securities lending programme. Securities lending involves the risk of loss of rights in the collateral or delay in recovery of the collateral if the borrower fails to return the security loaned or becomes insolvent. There is also a risk of loss if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, declines. Other risks associated with securities lending include delayed settlement, failed delivery, and the inability to vote

proxies or respond to corporate actions in a timely manner. Securities lending may also have certain adverse tax consequences.

Reduced secondary market liquidity in emerging market countries may have an adverse effect on market price and a client's ability to dispose of particular instruments when necessary to meet its liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for certain emerging market securities may also make it more difficult for a client to obtain accurate market quotations for purposes of valuing its portfolio and calculating its net asset value. Market quotations are generally available on many emerging market securities from only a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

The banking and other financial systems of many emerging market countries are not all well developed or well regulated. Delays in transfers by banks may result as may liquidity crises and other problems arising as a result of the under-capitalisation of the banking sector as a whole. A general banking crisis in any of the emerging market countries would have a material adverse impact on a client's portfolio.

Some emerging market countries have experienced substantial rates of inflation in recent years. Inflation and rapid fluctuations in inflation rates have had, and may in the future have, negative effects on the economies and securities markets of certain emerging economies. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on a client's investments in these countries or a portfolio's returns from such investments.

A client's portfolio will generally be invested in countries where the market economy is relatively less developed. Although the recent general trend in such countries has been towards more open markets and the promotion of private business initiatives, no assurance can be given that the governments of these countries will continue to pursue such policies or that such policies may not be altered significantly. The legal and tax system of many emerging market countries is less predictable than most legal systems in countries with fully developed capital markets. Currently, the tax rules and regulations prevailing in many emerging market countries are, as a general matter, either new or under varying stages of review and revision, and there is considerable uncertainty as to whether new tax laws will be enacted and, if enacted, the scope and content of such laws. Reliance on oral administrative guidance from regulators and procedural inefficiencies hinder legal remedies in many areas, including bankruptcy and the enforcement of creditors' rights.

There can be no assurance that current taxes will not be increased or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future. Any such increase in taxes, charges or fees payable by the portfolio companies may reduce the returns for clients. In addition, changes to tax treaties (or their interpretation) between countries in which a client's portfolio is invested and countries through which a client conducts its investment programme may have significant adverse effects on a client's ability to efficiently realise income or capital gains. Consequently, it is possible that a client may face unfavourable tax treatment resulting in an increase in the taxes payable on their investments.

With respect to certain countries, there is a possibility of nationalisation, expropriation, annexation, government regulation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of a client, and political or social instability, diplomatic developments (including war, imposition of sanctions and asset freezing) or terrorism, organised crime or other factors that could affect investments in those countries. Such events may also limit, interfere and/or delay the pricing or trading of securities in the stock markets of such countries for significant periods of time.

Furthermore, with respect to certain countries, the United States, the European Union or other governmental entities may impose economic sanctions against companies operating in specific countries, sectors or in association with identified individuals. These sanctions could impact a client's

investment in certain countries or securities. For example, a client may be prohibited from investing in securities issued by companies subject to such sanctions. In addition, the sanctions may require the client to freeze its existing investments in certain companies, prohibiting the sale or otherwise transacting in these investments. This could impact the client's ability to trade securities in such companies for extended periods.

A client account's investments may also be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of infectious disease, pandemic or any other serious public health concern, war, terrorism, etc.).

The economies, the currencies and the financial markets of a number of emerging market countries have experienced extreme volatility in recent years, exposing investment in the markets of those countries to greater risk than usual.

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.

The economies of emerging market countries can be heavily dependent on international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade and international economic developments generally.

Although there may be investment restrictions in place with respect to issuer and security concentration, a client's portfolio may at certain times hold relatively few investments in a single or related sector, industry or geographic area. A client could be subject to significant losses if it held a large position in a particular sector, industry or region that declined in value or is otherwise adversely affected.

The realisation of a cash return on an investment by a client will depend on the appreciation in value of, and income from, the securities and other investments acquired or made in the client's portfolio. No assurance can be given that any such appreciation will occur or that such income will be realised. In addition, no assurance can be given that a client's portfolio will not suffer a loss of its capital as a result of a general reduction in the value of securities or a loss of value in a particular security or securities.

The value of a client's portfolio may be affected by substantial adverse movements in interest rates.

Dependent on the investment guidelines, a client's portfolio may be invested in illiquid and/or unquoted securities or instruments. Such investments or instruments are typically valued as to their probable realisation value. Such investments are inherently difficult to value and are the subject of substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales or close-out prices of such securities.

A client will compete with other potential investors to acquire interests in its targeted investments. Certain of the Genesis Group's competitors may have greater financial and other resources and may have better access to suitable investment opportunities. This could restrict availability of investments to the Genesis Group's clients and add to the price volatility of shares traded on the securities markets of emerging market countries. There can be no assurance that the Genesis Group will be able to locate and complete suitable investments that satisfy a client's objectives. Whether or not suitable investment opportunities are available, the client may bear the fees and other expenses described herein.

Investment advisers, including the Genesis Group, must rely in part on digital and network technologies to conduct their businesses. Such cyber networks might in some circumstances be at risk of cyber attacks that could potentially seek unauthorised access to digital systems for purposes such as misappropriating sensitive information, corrupting data, or causing operational disruption. Cyber attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions

aimed at obtaining information necessary to gain access. The Genesis Group maintains an information technology security policy and certain technical and physical safeguards intended to protect the confidentiality of its internal data. Nevertheless, cyber incidents could potentially occur, and might in some circumstances result in unauthorised access to sensitive information about the Genesis Group or its clients.

## **Item 9 – Disciplinary Information**

In May 2012 the Firm entered into a settlement agreement with the US Treasury Department, Office of Foreign Assets Control (“OFAC”) to settle potential civil liability for an apparent violation of the US Iranian Transactions Regulations that occurred in 2007. OFAC stated that the apparent violation was ‘not egregious’ and made no finding of fault. As part of the settlement, the Firm remitted US\$112,500 to the US Treasury. In brief, in August 2007 a Guernsey organised fund (which is not marketed to US investors) managed by the Firm made a small investment (30 bps of the fund’s NAV) in First Persia Equity Fund (“First Persia”), a Cayman-based investment fund that invests in listed securities in Iran. In 2009, First Persia was added to the OFAC sanctions list. GAM promptly notified OFAC of its association with an entity on the sanctions list and appointed external counsel to perform an independent assessment of the issue. GAM also conducted a full review of its relevant compliance resources and procedures in place at this time. As a result of this review, enhancements were made to the Firm’s compliance and monitoring processes, including the addition of an automated sanctions screening service to supplement manual review. At the time of the settlement, segregated account clients and investors in Genesis managed funds were notified of the matter.

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

### **Affiliations**

Affiliated Managers Group, Inc. (“AMG”), a publicly traded asset management company (NYSE:AMG) with equity investments in boutique investment management firms, holds a majority equity interest in GIM. AMG also holds equity interests in certain other investment advisers (“AMG Affiliates”). Each of the AMG Affiliates, including GIM, is operated autonomously and independently, and except as described in this Brochure, the Firm does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them. Moreover, the AMG Affiliates do not formulate advice for the Firm’s clients. As such, AMG’s indirect ownership interest in the Firm does not, in the Firm’s view, present any potential conflict of interest for the Firm with respect to our clients. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at [www.amg.com](http://www.amg.com).

GIM has entered into two arrangements with AMG: for the provision of legal and regulatory compliance support as may be requested; and for marketing support in Europe and the Middle East.

AMG holds (indirectly) equity interests in the Firm and in certain other investment advisers some of which may also be broker/dealers (the “AMG Affiliates”). As a result of AMG’s indirect equity interest in the Firm, the AMG Affiliates may be considered “related persons” to the Firm for the purposes of this Brochure. Other than the compliance support arrangement noted above, the Firm does not have any business dealings with AMG or the AMG Affiliates and does not conduct any joint operations with them. Neither AMG nor the AMG Affiliates formulate advice for the Firm’s clients and do not, in the Firm’s view, present any potential conflict of interest with the Firm.

Certain of the Firm’s affiliates (the “Genesis Group”) include entities that are investment advisers. However, with the exception of the Firm’s parent, GIM, these advisory entities are engaged in business exclusively outside of the United States and do not directly advise or effect securities transactions involving the assets of U.S. residents.

The Affiliates of the Firm are, as follows:

GIM is registered in England and Wales as a limited liability partnership, and is registered as an investment adviser with the SEC and authorised and regulated by the Financial Conduct Authority in the

United Kingdom. GIM is also permitted to provide investment advisory services in other countries typically pursuant to a regulatory exemption.

Genesis Management Australia Limited (“GMAL”), an Australian limited company holds a financial services license from the Australian Securities and Investments Commission. GMAL holds such license to permit the offer and issuance of interests in non-US funds managed by the Firm to Australian investors.

### **Other Financial Activities**

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a broker/dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of one of the foregoing types of entities.

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

The Firm has established a variety of restrictions, procedures and disclosures designed to address conflicts of interest arising between and among client accounts as well as between client accounts and the Firm and its personnel. All the Firm’s personnel must act in accordance with the fiduciary standard. In addition to the provisions of the Code of Ethics which are described in greater detail below, the Firm maintains a written Conflict of Interest Policy which identifies conflicts and potential conflicts of interest faced by the Firm and the relevant controls in place to address such conflicts. The Conflicts of Interest Policy is reviewed at least annually and approved by the Group Risk Committee (which includes the CCO). A current copy may be obtained by contacting:

Genesis Investment Management, LLP  
21 Grosvenor Place  
London SW1X 7HU  
United Kingdom  
+44 2072 017200  
bricout@giml.co.uk  
Attention: Legal, Compliance & Risk Department, Conflicts of Interest Policy Request

### **Code of Ethics**

The Firm has a fiduciary duty to its clients, and accordingly has adopted a Code of Ethics (the “Code”) that applies to personnel. The Code describes the standard of conduct the Firm requires of its personnel and sets forth restrictions on certain activities, including personal trading in accounts owned, managed or beneficially owned by the individual. The Code’s provisions also include requirements relating to areas such as gifts and business hospitality, confidentiality of information, the provision and solicitation of political and charitable contributions and outside appointments. The Code prohibits all personal political contributions for any purpose to a U.S. federal, state or local government elected official, candidate, or entity (including any political action committee) without the written consent of the CCO. By setting forth the regulatory and ethical standards to which the Firm’s personnel must adhere, the Code supports our efforts to promote a high level of professional ethical conduct in furtherance of our fiduciary duty to our clients. The Code of Ethics is reviewed at least annually and approved by the Risk Management Committee.

### **Personal Trading**

Among other things, the Code limits and monitors the personal trading activity of our personnel, including members of their immediate households. These limitations seek to further the Firm’s efforts to prevent personnel from personally benefiting from the Firm’s investment decisions for its clients and/or any short-term market effects of the Firm’s recommendations to clients. Specifically, the Code prohibits personnel and certain members of their households from purchasing or selling emerging

market securities which are held in or suitable for client accounts. Limitations also exist for such persons on the participation in initial public offerings and private placements. All personnel must provide the Firm with a listing of their securities holdings, as well as copies of trade confirmations and details of their brokerage accounts. These restrictions and requirements of the Code apply to all accounts over which employees have investment discretion, or in which they have a direct or indirect beneficial ownership interest.

### **Participation or Interest in Client Transactions**

Certain personnel of the Firm may invest for their personal account in pooled vehicles managed by the Firm. We may have an incentive to favour accounts in which our partners or employees invest with respect to trading opportunities, trade allocation and allocation of investment opportunities. As such, the Firm requires that any personal transactions in pooled vehicles managed by the Firm are reported to and monitored by the Legal, Compliance & Risk Department.

The Firm does not buy or sell, for the Firm's accounts, securities that the Firm has recommended to our clients. The Firm also does not engage in principal trades with our clients.

GIM has maintained a small investment in one pooled vehicle since such fund's inception. This investment was intended to satisfy the minimum number of investors. For several other vehicles, GIM or one of its affiliates may hold 'founder shares' to satisfy local requirements.

### **Insider Trading/Material Non-Public Information**

All personnel of the Firm are subject to the Affiliated Managers Group, Inc. Insider Trading Policy and Procedures (the "AMG Insider Trading Policy"). The AMG Insider Trading Policy broadly prohibits the use of material, non-public information, and also imposes restrictions on the trading of AMG's stock.

In addition, the Firm's Code of Ethics also includes policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by any personnel of the Firm. In accordance with these policies, any matter which may involve inside information is required to be brought to the attention of the Legal, Compliance & Risk Department prior to any trading activity. In addition, to prevent trading of public securities based on material, non-public information, the Firm maintains a "restricted list" that identifies any securities that cannot be purchased for personal or client accounts because material, non-public information may have been received by personnel of the Firm. Provided such issuers are set up in the Firm's systems, such issuers named on this restricted list are coded as "prohibited" in the Firm's trading and portfolio compliance system, thus blocking the Firm from trading in these securities without the consent of the Firm's Legal, Compliance & Risk Department.

The Firm investigates any suspicious activity of any security held in personal holdings accounts which may suggest the use of insider trading. The trading patterns of securities held in client accounts are monitored on a regular basis including a review of trading patterns of stock held in client accounts which moves by more than a set percentage on any one day. In addition, the Firm's personnel certify compliance with the Code of Ethics on a quarterly basis.

### **Gifts and Business Hospitality**

The Firm's Code of Ethics includes policies and procedures regarding giving or receiving gifts and business hospitality between the Firm's personnel and certain third parties (e.g. vendors, broker/dealers, consultants, etc.) to help mitigate the potential for conflicts of interest surrounding these practices. In general, the Firm monitors the amount (i.e., value and frequency) of gifts and business hospitality that may be provided to and by personnel to these parties, and requires the pre-approval of certain items by our CCO or General Counsel. The Firm specifically monitors for any potential conflicts of interest with respect to individual instances of gifts or hospitality, as well as patterns of the same over time, to prevent the interests of the Firm and its personnel from being placed ahead of the interests of our clients. Gifts and hospitality of any sort to certain clients and US public and foreign officials are prohibited without the prior consent of the CCO or General Counsel.



## **Charitable Contributions**

From time to time, the Firm may donate to charitable enterprises and has identified several charities which it supports on a regular basis. In general, those donations are made in response to requests from the Firm's personnel. The Managing Partner approves all charitable contributions to be made by the Firm.

Requests for charitable contributions from clients or potential clients are not permitted without the consent of the CCO or Managing Partner.

The solicitation of charitable contributions from clients or potential clients is forbidden.

In addition, partners of GIM previously launched the Genesis Charitable Trust which provides grants for public benefit within countries with low- and middle-income economies. This Trust provides or assists in the provision of education, training, and infrastructure projects and is operated independently of the Firm's business. All grants are approved by the trustees of the Trust and no grants will be made if a conflict or potential conflict with the Firm's business is present.

## **Political Contributions**

The Firm prohibits its personnel from making political contributions on behalf of the Firm or to be reimbursed for personal political contributions, or from making political contributions for the purpose of securing or retaining business. All requests for political or campaign contributions from clients or potential clients are required to be declined. The solicitation of political or campaign contributions from clients or potential clients is forbidden.

## **Distribution of the Code**

We are firmly committed to making our personnel and our clients (both current and prospective) aware of the requirements within our Code of Ethics. All of our personnel are provided with a copy of our Code at the time of hire and annually thereafter, and each must affirm that they have received a copy of the Code, and that they have read and understand its provisions. Additionally, the Legal, Compliance & Risk Department conducts periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A current copy of the Firm's Code is available at all times to partners and staff via the Firm's SharePoint and also available to clients or prospective clients upon request, and may be obtained by contacting:

Genesis Investment Management, LLP  
21 Grosvenor Place  
London SW1X 7HU  
United Kingdom  
+44 2072 017200  
bricout@giml.co.uk  
Attention: Legal, Compliance & Risk Department, Code of Ethics Request

## **Item 12 – Brokerage Practices**

Generally, the Firm is retained on a discretionary basis and is authorised to determine the brokers to be used when effecting transactions on behalf of its clients. Certain clients request that the Firm consider using a specified list of brokers and the Firm has agreed on a best efforts basis bearing in mind the Firm's duty of best execution. Certain client accounts may prohibit execution of trades for such client account through specified brokers.

The Firm has a fiduciary duty to seek best execution, and to ensure that trades are allocated fairly and equitably among clients over time.

## **Brokerage Relationships**

The Firm is not directly related to any brokers but may be considered affiliated with other brokers as a result of the common ownership with AMG. With respect to such brokers which may be viewed as affiliated to the Firm through AMG, the Firm does not use such entities to execute trades on behalf of its clients.

The Firm may have many other relationships with brokerage firms. For example:

- the Firm may invest client assets in securities issued by brokers or their affiliates.
- the Firm may provide investment management services to affiliates or pension arrangements related to certain brokers.

Notwithstanding such relationships or business dealings with these brokers, the Firm has a fiduciary duty to its clients to seek best execution when trading with these firms, and has implemented policies and procedures to monitor its efforts in this regard.

## **Best Execution – Selection Factors for Brokers**

As noted above, the Firm has a duty to seek best execution of transactions for client accounts. “Best execution” is generally understood to mean the most favourable cost or net proceeds reasonably obtainable under the circumstances. In seeking best execution, the Firm looks for the best combination of transaction price, quality of execution (e.g., the speed of execution, the likelihood the trade will be executed, etc.), sourcing liquidity and other valuable services that an executing broker may provide.

The Firm, in seeking best execution, will make this selection based on a number of factors, which may include, but are not limited to, the following; the broker’s financial soundness; the broker’s ability to effectively and efficiently execute, report, clear, and settle the order; the broker’s ability to commit capital; the broker’s ability to timely and accurately communicate with the Firm’s Dealing Desk and settlements team; the broker’s commission rates; and similar factors.

Northern Trust are an outsourced provider of Broker Services in markets and/or securities where it is the designated broker and for these securities these same obligations for best execution apply.

## **Best Execution committee**

The OpEx has responsibility for best execution and oversees the Firm’s brokerage practices. The OpEx has established a process for determining the brokers to be used in executing trades (with the specific decision on which broker to use in a particular transaction to be made by the Dealing Desk) and the general level of commissions to be paid to each broker.

## **Broker Approval Process**

Prior to using a broker, the Genesis Group conducts a general due diligence review of the broker and will consider various criteria including, but not limited to, creditworthiness and appropriate regulatory authorization. The Legal, Compliance & Risk Department approves such brokers but if a broker fails to satisfy one of the criterion, additional due diligence will be performed and the approval of the CCO or the Head of the Legal, Compliance & Risk Department is also required. All approved brokers are added to the Approved Broker List. Brokers on this list are monitored on an annual basis using a risk based approach. Results of the monitoring are reported to senior management.

## **Broker Review Process**

With respect to best execution factors, the Dealing Desk performs a semi-annual review and input may be obtained from the Settlements team. These combined reviews are used as general guidelines for the Dealing Desk in deciding which broker to use for specific transactions although best execution always prevails in all transactions.

## **Monitoring**

The Genesis Group regularly monitors the broker performance and reasonableness of brokerage commissions. As part of the dealing process, the Dealing Desk monitors broker executions against other traded prices shown on Bloomberg. The internal monitoring programme reviews commission rates achieved on a quarterly basis as part of the more general trade execution monitoring. In addition, the Genesis Group has employed a third party to provide transaction cost analysis as well as an assessment of our transaction costs and market impact in certain countries versus a representative peer group of other emerging markets managers. The results of the monitoring and third party report are included in quarterly reports provided to the OpEx and senior management.

The internal procedures relating to brokerage practices are maintained in a written Best Execution policy which is reviewed at least annually by the OpEx.

Please refer to Item 4 above for a description of arrangements relating to FX transactions for client accounts.

## **Research and Soft Dollar Benefits**

GIM has implemented a research policy and procedures intended to ensure that the research services are allocated fairly across client portfolios and that the research services are regularly assessed with a view to costs and quality and its ability to contribute to better investment decisions.

The determination of the eligibility of research and the substantive value of the research services is made by the relevant member of the Investment Team as part of their regular quarterly assessment of research services. Such assessment is aided by the use of a research interaction tracking platform and these results are reviewed by the PCT and GIM's Operating Board.

The overall research budget is set by GIM's Operating Board as an estimate of research costs expected to be incurred. GIM's Operating Board apportions the overall research budget across each member of the Investment Team so that each member has a defined monetary amount for research services which they may allocate across the external research providers. Additional research services must be approved by the Managing Partner.

## **Commission Sharing Arrangements**

The Firm is not involved in any CSAs.

## **Contra Orders**

The Firm may submit opposing orders in the same security although it is expected that such occasions would be rare and likely to be the result of client-directed cash flows. Other than in exceptional circumstances, it is expected that contra orders would be executed at market prices. See also Cross Trades below.

## **Directed Brokerage**

In some cases, clients have requested that the Genesis Group use specified brokers for portfolio transactions in their accounts. The Genesis Group has agreed to do so on a best efforts basis subject to its duty of best execution and bearing in mind the specialist nature of its underlying asset class of emerging markets. Records of any trades in connection with a directed brokerage arrangement are maintained and provided to the relevant brokers and clients as required.

The Genesis Group reserves the right to reject or limit client requests for directed brokerage.

## **Cross Trades**

In general, cross trades are rare and restricted due to client account regulations. Crossing, where permitted, takes place, other than in exceptional circumstances, at market prices and the CCO must approve any cross trade. In considering such requests the regulatory requirements, client guideline restrictions and fairness of the trade to both parties are assessed.

## **Liquidity Rebates**

In selecting brokers to execute transactions for client accounts, the Genesis Group does not consider any “liquidity rebates” that may be available to those brokers. Brokers may earn “liquidity rebates” (i.e., a certain cash rebate) when placing orders in certain market centres while trading on behalf of the Genesis Group. However, the Genesis Group chooses brokers based on our policy of seeking best execution, which is determined by several quantitative and qualitative factors. It is against the Genesis Group’s policy to take into consideration a broker’s potential to earn liquidity rebates when deciding whether to choose a particular broker.

## **Trade Aggregation and Allocation**

When two or more portfolios are simultaneously engaged in the purchase or sale of the same security, the Firm may, but is not obligated to, combine and aggregate the transactions to form a “bunched trade” or “block trade.” In such cases, these accounts will receive the average price of the transactions in that security for the day. Trades in the same security for different accounts will be accumulated for a reasonable period of time to allow for aggregation, unless a particular account’s interest would be unduly prejudiced. The Firm may, but is not required to, aggregate orders into block trades where the Firm believes this is to be appropriate, in the best interests of the client accounts, and consistent with applicable legal requirements. Transactions executed in a block will typically be allocated to the participating client accounts before the close of the business day.

Since more than one account’s orders are included in a block trade, the Firm has adopted a policy of using a “pro rata allocation” to allocate the trade among each account whose order makes up part of the block. Under a pro rata allocation, as securities are being purchased or sold as part of the block trade, the securities are being allocated to (or away from, in the case of a sale) accounts in the proportion by which each account’s order size (as determined by the portfolio manager at the time of order entry) makes up a percentage of the entire block. In cases where the Firm is unable to fulfil a block trade the same day (i.e., purchase or sell all securities within the block trade), those securities that have been purchased or sold by the end of the day will generally be allocated pursuant to the Firm’s pro rata allocation methodology. Allocation is imposed through our automated order management system.

All allocation objectives and implementation procedures are designed to ensure that all clients receive equitable treatment, ensuring as far as possible that all portfolios with the same mandate look alike. Partial fills are allocated pro rata, to the value of orders placed unless resultant allocation is so small to make settlement uneconomic (typically less than US\$5,000). Separate and pooled accounts are treated alike under this allocation process.

Allocations across portfolios are reviewed as part of the compliance monitoring programme.

## **Initial Public Offerings (“IPOs”)**

An initial public offering is a company’s first offer of stock for sale to the public. Depending on the interest in this initial offering, the Firm’s access to these newly offered shares may be limited in amount at the time of the initial offering.

In the event that the Firm participates in any initial public offerings and other securities with limited availability (collectively, “IPOs”), the Firm allocates IPOs among accounts as it would for any other security that is, on a pro rata basis and taking into consideration factors such as client eligibility, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs.

Allocation of IPOs and other limited offerings across client accounts is monitored periodically as part of the internal monitoring process to ensure that all accounts are treated fairly and equitably over time.

### Trade Errors and Trade Error Accounts

If a trade error were to occur, it is the Genesis Group's policy to make the client account whole. Also if a client account were to benefit from a trade error, any profits would remain with the account (unless the client instructed otherwise). Any material breach of an investment restriction would be disclosed to the client.

Internally such a material matter is required to be reported immediately to the CCO who in turn would inform the wider group of partners. Where possible, procedures are put in place to ensure that such an incident does not recur.

### Item 13 – Review of Accounts

The GIM Portfolio Coordination Team (PCT) is comprised of a three-member sub-group of the Investment Team, including the Managing Partner (permanent member), the Chair and a rotating third member, plus one representative of the Risk Management Committee who is functionally and hierarchically separate from the Investment Team.

In addition, the Genesis Group Investment Team hold the following meetings to discuss research ideas:

Frequency	Purpose	Attendees
<b>Weekly</b>	General meeting to discuss research and investment decisions, particularly ideas resulting from company and country visits	All London-based investment professionals
<b>Quarterly</b>	Portfolio Week during which each stock – as well as major omissions – are reviewed; also includes a review of correlated risks	All Investment Team members (in person)
<b>Semi-Annually</b>	Investment 'away days', focusing on investment process improvements	Investment Team

With respect to compliance, responsibility rests with the CCO. The Firm's day-to-day compliance functions are performed by the GIM Legal, Compliance & Risk Department which has responsibility for amongst other things: trade approvals, compliance with investment guidelines (client and internal), the compliance monitoring programme, personal trading, gifts/hospitality approvals, broker reviews and approvals, conflicts of interest and global regulatory filings.

The compliance monitoring programme is designed on a risk assessment basis and consists of a scheduled programme of testing covering a broad range of areas. The frequency is determined by the assessed level of risk, which reflects inherent risk, any recent regulatory changes, any internal changes and previous monitoring results. Testing consists of both review activity and substantive testing and focuses on the quality of operating procedures and the effectiveness of relevant internal controls. Results are reported to the Risk Management Committee. The compliance monitoring programme is reviewed at least annually.

In addition to the compliance monitoring programme conducted by the Compliance Team, the Assurance Team performs team and thematic reviews entailing periodic detailed walkthroughs of processes and controls to confirm whether controls are effectively designed and performed and meet internal policy and external regulatory requirements.

Ensuring compliance with clients' investment guideline compliance is, as far as possible, automated using the compliance module of the Firm's process system. Client-specified restrictions and guidelines are set up and maintained by the Legal, Compliance & Risk Department. When a new transaction order is created on the system, pre-trade compliance checks are run automatically. Any order which creates a

new 'breach' (or increases an existing breach) will be referred to the Legal, Compliance & Risk Department. Post-trade compliance limits are run automatically overnight and the Legal, Compliance & Risk Department reviews and investigates these results daily. The Performance Team also compare on a monthly basis individual client accounts against other accounts invested in a similar manner to assess the consistency of holdings and performance, and to reconcile any outliers or other exceptions that are found. In addition to the pre and post trade automated restrictions, regular guideline reviews of client accounts are also conducted as part of the internal monitoring function.

With respect to reconciliations, GIM also reconciles its records of the securities and cash held within its clients' accounts against the records of the custodians who hold the securities and cash. These reconciliations are performed daily by Watson Wheatley Ltd, a specialist provider in reconciliations. Exceptions are reported back to the respective operational teams at GIM for further investigation and resolution. Custodian statements and records of the are the official books and records for each client account.

Operational risks are identified, monitored and mitigated via the Genesis Group's risk management framework. The Risk Management Committee is responsible for the design, implementation and monitoring of the internal risk management framework.

The Risk Management Committee reports into the Group Risk Committee which meets quarterly and oversees the effectiveness of the risk management framework, governance and compliance activity within Genesis. The majority of the Group Risk Committee members are independent non-executive directors. The risk committees will raise issues to the GIM Operating Board as appropriate.

## **Reporting**

With respect to client reporting, GIM, on behalf of the Firm, delivers to each client a periodic report typically including:

- Listing of individual holdings, including number of shares and current market value;
- Quarterly, year-to-date, and/or since-fund's inception time-weighted rates of return;
- Historical statement of changes describing clients' original capital and additions of capital;
- Purchase and sale transactions occurring during the period; and
- Market commentary.

Such reports are generally delivered on a monthly basis or quarterly if so requested by the clients. Upon request by a client, valuations and other reports may be available on a more frequent basis.

In addition, clients also receive quarterly reports on performance attribution, proxy voting and brokerage commissions.

Clients generally receive monthly account reports from independent qualified custodians. These reports typically include:

- Listing of individual holdings, including number of shares and current market value;
- Quarterly, year-to-date, and/or since-inception time-weighted rates of return;
- Historical statement of changes describing clients' original capital and additions of capital; and,
- Purchase and sale transactions occurring during the period.

The reports for segregated client portfolios may be customised to meet each client's individual needs. The reporting packages for pooled vehicles are standardised to the extent possible but additional confirmations or reports may be agreed by the Genesis Group with an investor in such fund.

As noted, the custodian statements reflect the official books and records for the client accounts managed by the Genesis Group.

## **Item 14 – Client Referrals and other Compensation**

### **Relationships with Consultants**

Many of our clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers. The Firm may have certain accounts that were introduced to the Firm through consultants. These consultants or their affiliates may, in the ordinary course of their investment consulting business, recommend the Firm's investment advisory services, or otherwise place the Firm into searches or other selection processes for a particular client.

The Firm has extensive dealings with investment consultants, both in the consultants' role as adviser for their clients and through independent business relationships. Specifically, we provide consultants with information on portfolios we manage for our mutual clients, pursuant to our clients' requests. The Firm also provides information on our investment styles to consultants, who use that information in connection with searches they conduct for their clients.

Clients obtained from these consultants may instruct the Firm to direct some or all of their brokerage transactions to these consultants or related party, which may also be a broker, or to the particular brokers with whom they have relationships. See Item 12.

Other interactions that the Firm may have with consultants include, but are not limited to, the following:

- the Firm may, from time to time, purchase software applications, access to databases, and other products or services from some consultants.
- the Firm may pay registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences. These conferences or forums provide the Firm with the opportunity to discuss a broad variety of business topics with consultants, clients, and prospective clients.
- In some cases, the Firm may serve as investment adviser for the proprietary accounts of consultants or their affiliates, or as adviser or sub-adviser for funds offered by consultants and/or their affiliates.

In general, the Firm relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with the Firm.

### **Consulting Databases**

The Firm does not at the current time but may at a point in the future pay consultants or other third parties to include information about the Firm's investment approaches in databases that they maintain to describe the services provided by investment managers to prospective clients.

### **Relationships with Solicitors**

GIM is party to a client service/marketing agreement with one or more non-U.S. subsidiaries of AMG under which the non-U.S. AMG subsidiaries introduce the GIM's investment management services to prospective institutional clients and/or provide institutional client services to certain of the GIM's clients in various foreign jurisdictions. GIM pays the non-U.S. AMG subsidiaries a fee for these services. The non-U.S. AMG subsidiaries are not broker-dealers, investment advisers, or any of the other financial institutions described in Item 7.A. of the Form ADV Part 1A. Depending on the foreign jurisdiction, the non-U.S. AMG subsidiaries may be registered or exempt from registration, as appropriate, with the relevant foreign financial regulatory authorities.

Other than as described above, the Genesis Group has no other agreements with third party solicitors pursuant to which it pays a fee to these parties in connection with their solicitation of clients and other services.

## **Compensation from Third Parties**

The Firm does not receive any monetary compensation or any other economic benefit from a non-client for the Firm's provision of investment advisory services to a client.

## **Item 15 – Custody**

The Genesis Group does not act as a custodian over the assets in the accounts it manages for clients (except as may be deemed a "custodian" by applicable law, as discussed below). Clients must make their own arrangements for custody of securities in their accounts. Such custodians may be banks, trust companies, or other qualified institutions. The qualified custodian will typically provide the client with at least quarterly account statements relating to the assets held within the account managed by the Firm. Each client should carefully review the qualified custodian's statement upon receipt to determine that it completely and accurately states all holdings in the client's account and all account activity over the relevant period. Any discrepancies identified by a client should be immediately reported to the Genesis Group and the qualified custodian.

In addition to the account statements provided by qualified custodians to our clients, the Genesis Group also provides account statements to clients on a monthly basis. As such, we encourage clients to compare the statements provided to them by the Genesis Group against those provided to them by the qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both the Genesis Group and the qualified custodian promptly. Such questions, concerns, or discrepancies may be communicated to the Genesis Group by writing, e-mailing, or telephoning us using the following contact information:

Genesis Investment Management, LLP  
21 Grosvenor Place  
London SW1X 7HU  
United Kingdom  
+44 2072 017200  
clientservice@giml.co.uk  
Attention: Client Service, Report Query

The Genesis Group's statements may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. However, please note that custodian statements reflect the official books and records for the accounts managed.

The Firm may be deemed, under the federal securities laws, to have custody of client assets by virtue of the fact that it also serves as the investment manager of the QFII Securities. The Firm does not have actual physical custody of any client assets or QFII Securities, all such assets are held in the name of the applicable fund by an independent qualified custodian. Such fund is audited annually, and investors receive annual financial statements, as required by applicable law.

Unless otherwise specified, the clients referred to in this Brochure shall refer to the clients of GIM.

## **Item 16 – Investment Discretion**

The Firm, by virtue of the delegation from GIM, is granted discretionary authority by GIM's clients at the outset of an advisory relationship to determine the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives/guidelines for the particular client account. When selecting securities and determining amounts of securities for purchase or sale, the Firm observes the investment policies, limitations, and restrictions that are applicable to our clients' accounts, as set forth by our clients. Any investment guidelines and restrictions, including amendments, must be provided to the Firm by the clients in writing. A separately managed client account will grant the Firm discretionary authority by executing an investment management agreement, which includes, among other items, a statement



giving the Firm full authority to invest the assets identified by the client in a manner consistent with the investment objectives and limitations delineated by the client, and to engage in transactions on a discretionary basis in the client account. For pooled vehicles, the appointment of the Firm as investment manager, the scope of the authority and investment objectives and limitations are outlined in the relevant offering document.

Clients are likely to restrict the areas in which their assets may be invested to exclude certain countries, regions, stock exchanges or types of securities. Additionally, clients generally place restrictions as to the proportions of managed funds which may be invested in individual securities, issuers or in particular countries, regions or sectors. As a general matter, all client portfolios are restricted from short selling securities or using leverage as an investment tool.

### **Class Action Suits and Other Legal Actions**

As a general matter, the Firm provides instructions to custodians regarding tender offers and rights offerings for securities in client accounts.

In general and due to the fact that class actions are not common in emerging markets, the Firm is unlikely to be under any obligation to, and typically does not, take any legal action with regard to class action suits relating to securities purchased by the Firm for its clients. Furthermore, the Firm does not provide legal advice to clients and, accordingly, does not determine whether a client should join, opt out of or otherwise submit a claim with respect to any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the client. The Firm generally does not have authority to submit claims or elections on behalf of clients in legal proceedings. Should a client, however, wish to retain legal counsel and/or take action regarding any class action suit proceeding, the Firm will provide the client or the client's legal counsel with information that may be needed upon the client's reasonable request. For pooled accounts, advice and/or instruction is expected to be obtained from the governing board/entity of the fund.

## **Item 17 – Voting Client Securities**

Since client accounts may hold stocks or other securities with voting rights, our clients often have the right to cast votes at the corporate issuers' shareholder meetings. However, since shareholders often do not attend shareholder meetings, they have the right to cast their votes by "proxy." In such cases, the Firm's clients will either retain proxy voting authority or delegate it to the Firm. If a client has delegated such authority to the Firm (whether in the client's investment management agreement with the Firm or otherwise), the Firm will vote proxies for that client.

Where clients have delegated proxy voting authority to the Firm, as an investment adviser and fiduciary of client assets, the Firm accepts such responsibility to vote proxies on behalf of the client. However, it is the responsibility of the custodian appointed by the client to ensure that the Firm receives notice of the relevant proxies sufficiently in advance of the relevant meeting to allow the Firm to vote. Also given the underlying markets in which the Firm invests, the Firm may encounter other administrative obstacles in voting proxies on behalf of clients including share blocking and language requirements.

The Firm has implemented proxy voting guidelines and procedures intended to protect the value of shareholder investments and designed to reasonably ensure that the Firm votes proxies in the best interest of clients. In voting proxies, we seek to both maximise the long-term value of our clients' assets and to cast votes that we believe to be fair and in the best interest of the affected client(s). Voting decisions are determined by the relevant member of the Investment Team. The Firm instructs the voting agent (see below) on how to vote and the voting agent in turn liaises with the relevant custodian. Records are maintained as to the manner in which proxies are voted and are distributed to clients in accordance with their reporting requirements (see Item 13). Such reports include further information when a decision has been made to vote against management.

Where clients have not delegated proxy voting authority to the Firm, such clients may on occasion seek information or advice from the Firm as to how the Firm views the relevant issues. On certain occasions,

the Firm may contact those clients for whom it does not have proxy voting authority and advise such clients of how it intends to vote for other client accounts.

### **Voting Agent**

GIM has contracted with Institutional Shareholder Services, Inc. (“ISS”), an independent third-party provider of proxy voting and corporate governance services (“proxy agent”) which specialises in providing a variety of services related to proxy voting. Specifically, this proxy agent has been retained to provide proxy research, execute proxy votes as instructed by the Genesis Group, and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for the appropriate client account.

### **Conflicts of Interest**

If a material conflict should arise between the Genesis Group’s interests and those of the clients, it is the Genesis Group’s policy to advise the client of such conflict and obtain their consent or instruction as to how to vote.

Details of how the Genesis Group has voted in the past five years on a particular security held in its funds are available on the Firm’s website. Separate account clients (which have delegated proxy voting authority to the Firm) may use the contact details below to request the details of how votes were instructed by the Firm for their account.

If you would like a copy of the Genesis Group’s Proxy Voting Guidelines, if you would like to review how the Genesis Group voted on a particular security in your account, or if you would like further information on the proxy agent’s proxy voting policy guidelines, please contact:

Genesis Investment Management, LLP  
21 Grosvenor Place  
London SW1X 7HU  
United Kingdom  
+44 207 201 7200  
mills@giml.co.uk  
Re: Proxy Voting Guidelines Request

## **Item 18 – Financial Information**

The Firm has no financial condition that impairs our ability to meet our contractual and fiduciary commitments to our clients, and the Firm has not been the subject of a bankruptcy proceeding.