

Item 1 – Cover Page

Sprucegrove Investment Management Ltd.

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September 8, 2020

This brochure provides information about the qualifications and business practices of Sprucegrove Investment Management Ltd. (“Sprucegrove”, “us”, “we”, “our”). If you have any questions about the contents of this brochure, please contact us at (416) 363-5854 and/or info@sprucegrove.ca. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.

Additional information about Sprucegrove also is available at the SEC’s website www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Parts 1 and 2 of our Form ADV.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training.

Item 2 – Material Changes

The following changes in Sprucegrove Investment Management Ltd.'s Form ADV Part 2A were made since the last annual update on March 29, 2020:

- Item 5 – Sprucegrove updated its disclosures concerning management fees.
- Item 6 – Sprucegrove added disclosures regarding performance-based fees and the potential for conflicts of interest since some client accounts managed by Sprucegrove may be charged a performance-based fee.

Item 3 – Table of Contents

Item 1 – Cover Page.....	
Item 2 – Material Changes.....	i
Item 3 – Table of Contents.....	ii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation.....	3
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 – Disciplinary Information.....	18
Item 10 – Other Financial Industry Activities and Affiliations.....	19
Item 11 – Code of Ethics	20
Item 12 – Brokerage Practices	22
Item 13 – Review of Accounts.....	26
Item 14 – Client Referrals and Other Compensation	27
Item 15 – Custody	28
Item 16 – Investment Discretion.....	29
Item 17 – Voting Client Securities (<i>i.e.</i> , Proxy Voting).....	30
Item 18 – Financial Information	31

Item 4 – Advisory Business

Description of Advisory Services:

Overview of Sprucegrove

Sprucegrove was founded in 1993 by three individuals (Peter Clark, Ian Fyfe and John Watson), who had worked together for 15 years in investment operations at Confederation Life Insurance Company (“Confed”). During that period, they had developed and managed the international investment services for the Canadian and U.S. based clients of Confed.

Confed retained Sprucegrove to sub-advise their pooled investment funds, thus providing continuity in the management of the international equity assets. At the same time, the remaining members of the Confed international equity team became employees of Sprucegrove, and Sprucegrove obtained all research files and all proprietary equity software and systems from Confed. As part of the arrangement, Sprucegrove also acquired the Canadian international equity separate account business. In 1994, Confed was ordered to be wound up and Sprucegrove purchased the international sub-advisory service from Confed and established its own pooled investment funds. By the end of the second quarter of 1995, virtually all the international equity clients, who were invested in the U.S. and Canadian Confederation Life Pooled investment funds, elected to transfer into new Sprucegrove pooled investment funds.

Sprucegrove provides advisory services on a fully discretionary basis, managing International, Global, All Country World and All Country World ex U.S. equity mandates for clients in Canada and the United States from our office in Toronto, Ontario, Canada. Since the inception of the firm, Sprucegrove has followed the same disciplined bottom-up value investment philosophy and process on which it was founded. We strive to invest in high quality companies selling at attractive valuations. As a value manager, we believe that markets are often inefficient and that through our fundamental internal research, a disciplined process to utilize that research and by maintaining a long-term perspective, we can capitalize on mispricing in the market. Country and sector exposures are a residual of this stock-selection process.

We provide our advisory services to private investment funds and to separately managed accounts, including in the capacity as sub-adviser to third party funds. We offer our advisory services in Canada and in the United States. This brochure focuses on the advisory services offered to United States clients.

Our firm is a private company that is 100% employee owned. At December 31, 2019, we had 44 full-time employees. There is no principal owner (greater than 25%).

Assets Under Management

As at December 31, 2019, Sprucegrove had approximately \$15,045 million assets under management (consisting of assets in the United States and Canada) on a discretionary basis under the following mandates:

Mandate (\$millions)	Canada	United States	Total
International Equities	2,953	9,303	12,256
Global Equities	1,748	-	1,748
All Country World	143	-	143
All Country World ex U.S.	419	479	898
Total	5,263	9,782	15,045

Item 5 – Fees and Compensation

The fee schedules for the different types of clients and investors are described below; however, advisory fees may be negotiated under certain limited circumstances in Sprucegrove's discretion. A full description of applicable fees and compensation is contained in the relevant documentation pertaining to each client account (*e.g.*, offering memorandum or other governing documents).

SEPARATE ACCOUNT FEES

Market Value of Client's

Total Investment Accounts Fees

First	\$25,000,000	0.70%
Next	\$25,000,000	0.60%
Next	\$25,000,000	0.50%
Next	\$225,000,000	0.25%
Excess Over	\$300,000,000	0.20%

Separate account clients are generally billed quarterly in arrears. The fees for assets that are not managed for a full quarter are typically prorated.

SPRUCEGROVE PRIVATE INVESTMENT FUND FEES

The advisory fees for the private investment funds are:

Market Value of Investor's

Total Investment Accounts Fees

First	\$ 5,000,000	0.70%
Next	\$10,000,000	0.65%
Next	\$25,000,000	0.55%
Next	\$35,000,000	0.50%
Next	\$225,000,000	0.25%
Excess Over	\$300,000,000	0.20%

Investors in the fund are generally billed for the fee monthly in arrears. Investors have the choice of paying fees by making a direct payment to Sprucegrove or selling units in the fund to pay the fee.

SPRUCEGROVE COLLECTIVE INVESTMENT TRUST FEES

The advisory fees for the collective investment trust ("CIT") Class A units to Class F units are:

<u>Class</u>	<u>Market Value of Investor's Total Investment Accounts</u>	<u>Fees</u>
Class A	\$0 < \$15,000,000	0.70%
Class B	\$15,000,000 < \$50,000,000	0.60%
Class C	\$50,000,000 < \$100,000,000	0.55%
Class D	\$100,000,000 < \$400,000,000	0.35%
Class E	Over \$400,000,000	0.25%
Class F*	Minimum \$20,000,000	0.25%
Class OCIO-C**	Minimum \$20,000,000	0.25%

*Class F units are open to applicable investors that make a minimum initial investment of \$20 million in a CIT fund before the 2-year anniversary of the launch of such fund.

**Class OCIO-C of the Sprucegrove All Country World ex U.S. CIT is open to qualifying plan investors that make an initial investment of at least \$20 million and have delegated investment responsibility to, or hired as an Outsourced Chief Investment Officer ("OCIO"), a particular institutional investment consultant.

For Class A units to Class OCIO-C units, the trust accrues the fees daily and pays monthly in arrears.

SUB-ADVISED MUTUAL FUND

Average Daily Net Assets Sub-advised by Sprucegrove Fees

First	\$25,000,000	0.70%
Next	\$25,000,000	0.60%
Next	\$25,000,000	0.50%
Next	\$225,000,000	0.25%
Excess Over	\$300,000,000	0.20%

* * * * *

Performance-Based Fees

Under certain circumstances, Sprucegrove may agree to an alternative fee structure, such as a performance-based fee. Please refer to Item 6 for the description of performance-

based fees.

Additional Fees and Expenses

Fees, transaction charges and other expenses for the private investment funds are described in greater detail in the governing documents for the applicable fund.

Clients also will incur brokerage and other transaction costs that are payable to third parties. Depending on the type of client and account, there may be additional third party expenses for custodial fees, trustee fees, wire transfer and electronic fund fees, audit fees and other expenses incurred in the course of the investment and administrative activity associated with the particular client account.

Varying Fee Schedules

Fees may differ from the above-listed standard fee schedules depending on the nature and types of advisory services to be rendered, any special requirements of the client account, or based on negotiations. Fees will typically vary for a variety of reasons, for mutual fund sub-advisory accounts, non-discretionary accounts, and for certain other client arrangements. In addition, Sprucegrove may also offer blended fee schedules to certain current clients that maintain investments across various investment mandates and/or vehicles. Sprucegrove also has the discretion to reduce or waive advisory fees with respect to certain client accounts. For example, advisory fees may be reduced or waived for clients that make a significant investment or that are current or former owners, officers, employees or affiliates of Sprucegrove (including their family members and any trusts or other vehicles for the benefit of family members of such owners, officers and employees and/or charitable entities, including, but not limited to donor advised funds and private foundations). Sprucegrove also may offer a discounted founder's fee to initial investors in a new product or strategy from time to time. Additionally, in the event Sprucegrove establishes and/or provides investment supervisory services to other collective investment vehicles, including limited partnerships, limited liability companies, and business or investment trusts for investors, we reserve the right to establish fee scales that differ from those described above.

Side Letters

Sprucegrove may from time to time enter into an agreement with an investor, without the approval of any other investor, which provides for terms that are different from those described in the pertinent offering documents ("side letters"). As a general matter, Sprucegrove will owe certain fiduciary duties to pooled investment funds, which require that Sprucegrove act in good faith and in what Sprucegrove considers to be in the best interests of such fund. In doing so, Sprucegrove also will endeavor to act in a manner that ensures the fair treatment of the fund's investors. In exercising discretion in causing a fund to enter into a side letter, Sprucegrove will disclose any material terms of such side letter to

other investors as appropriate. Otherwise, absent an agreement to the contrary, Sprucegrove may, but generally is not required to, disclose the existence or terms of any such side letters to any other investor.

Rights or terms that a side letter may alter include, but are not limited to: (1) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor; (2) preferential terms relating to fees, liquidity and/or transfers; and (3) enhanced transparency and reporting. Such side letters or similar agreements, however, will not combine preferential information rights with preferential redemption rights to the detriment of other investors.

Item 6 – Performance-Based Fees and Side-By-Side Management

Under certain circumstances, Sprucegrove may agree to an alternative fee structure, such as a performance-based fee. Sprucegrove may receive compensation based on a fulcrum fee from certain clients. In general, a fulcrum fee is calculated given the performance of a client account as compared to an appropriate benchmark index (or other measure of performance) over a specified period of time, in which the advisory fees increase and decrease proportionately with such relative performance.

A client paying performance-based compensation should be aware that this type of compensation arrangement potentially creates a conflict of interest and that:

- A performance-based fee arrangement, such as a fulcrum fee, may create an incentive for Sprucegrove to: (i) make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee; or (ii) sequence investments in favor of accounts that are expected to pay higher performance-based fees than other accounts over a given period.
- Sprucegrove may receive increased compensation, including with regard to unrealized appreciation and realized gains in the client's account.
- The periods used to measure the performance will be specified in the management and/or applicable fund documentation and may be less than a twelve-month period.
- To the extent that the performance-based fee is calculated based on performance relative to a benchmark index, the benchmark recommended to be used by Sprucegrove will typically be one that reflects and is similar to the investment objective and guidelines for the client account and is intended to provide an effective measurement of the performance of such account.

Due to the differences between the client accounts described above, there exists a conflict of interest with respect to the allocation of investment opportunities among client accounts with the same or similar strategies. By way of example, in certain circumstances where access to an investment opportunity may be limited in some manner, there is a conflict of interest with respect to allocation of such investments between certain client accounts, since certain client accounts may only be charged a flat, advisory fee whereas other funds and client accounts may also include performance-based compensation. Sprucegrove has established order aggregation and allocation policies and procedures designed to allocate investment opportunities on a fair and equitable basis to address this conflict of interest. (Please see Item 12 for a description of Sprucegrove's order aggregation and allocation policies and procedures.)

Item 7 – Types of Clients

We provide our advisory services to private investment funds and to separately managed accounts, including in the capacity as sub-adviser to third party funds.

Our separate account clients include:

- Pension and profit sharing plans
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Registered investment companies
- Collective investment trusts
- High net worth individuals

For separate accounts, we are able to tailor our advisory services to the individual needs of clients. Examples would include adjusting our standard investment guidelines to accommodate client mandate, holdings or SRI restrictions.

The minimum capital required to open a separate account is \$50 million, which we can waive in our discretion. Each private investment fund has a minimum subscription amount that is set out in the offering document for the fund.

We intend to remain a relatively small firm and may periodically take measures to control our growth. In the past, when we have elected to not accept new clients, we have continued to receive deposits from existing clients. This decision is reviewed annually.

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

Investment philosophy, strategy, and investment style for the product

Sprucegrove is a value manager, following a bottom-up approach, and seeking to invest in quality companies selling at attractive valuations.

Significant features of our approach include:

- Investing in equities of companies in global markets;
- Investing in equities believed to offer attractive long-term rates of return;
- Emphasis on the long term and a focus on the selection of individual common stocks using a bottom-up approach utilizing thorough internal research;
- Companies selected for investment must meet standards regarding historic financial performance, financial position, quality of management, and a growth potential in terms of sales, earnings, and share price;
- A sell discipline which focuses on two major criteria: (i) an adverse change in fundamentals, i.e. the company no longer meets our quality criteria, and (ii) a stock price that rises to a level that we believe exceeds the company's intrinsic value.

In searching for investments, we analyze stocks using the following criteria:

- Leadership position in share of market and technology;
- History of above-average profitability as measured by operating margins and return on common equity;
- Strong financial position;
- The opportunity for growth via new products, markets, and/or market share;
- Management, including its consistency, experience, record, reputation, corporate governance practices and commitment to the business.

Important valuation and quality metrics we consider include:

- Normalized price earnings multiple
- Price to book value ratio
- Dividend yield
- Financial leverage ratio
- Projected return on equity

We address portfolio risk through our diversification guidelines regarding region, country, sector, and individual company weightings, which are relative to a benchmark index. Our region guidelines set the minimum number of countries in each region. Our country guidelines set minimum and maximum weightings for eligible countries. Our sector

guidelines establish a minimum representation in market sectors and a maximum exposure in any one sector. Our individual company guidelines set minimums for the number of holdings in a portfolio, and maximums for company ownership, free float and weightings of individual holdings.

Risk of Loss

The risks set forth below represent a general summary of the risks involved in the investment strategies we offer to investors. If applicable, please refer to the offering documents for a more detailed discussion of the risks involved in an investment in a fund. Clients should understand that investments in securities/strategies involve the risk of loss.

All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit).

General Risks

- *An Investment in the Fund Involves Risk:* There can be no assurance that the fund’s investment objectives will be achieved or that investors will not lose all or part of their investment in the fund. The fund is not a complete investment program and should represent only a portion of an investor’s portfolio management strategy.
- *Securities Lending:* A client account that engages in securities lending could suffer losses if a borrower of its securities defaulted on its obligation to return those securities or from losses in the value of collateral investment programs.
- *Devotion of Time:* Sprucegrove manages a number of funds and accounts and may devote substantial time and resources to such other funds and accounts.
- *Increasing the Assets Managed by Sprucegrove May Adversely Affect Performance:* There appears to be a tendency for the rates of return achieved by advisers to degrade as assets under management increase. Although Sprucegrove may, in its discretion, close the fund to additional capital contributions, or return capital to existing investors, there is no limit on the total amount of subscriptions that may be accepted on behalf of the fund. In addition, Sprucegrove is not prohibited from managing other vehicles or accounts with similar or different strategies.
- *Cybersecurity Breaches:* The fund is subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology,

processes and practices designed to protect networks, systems, computers, programs and data from “hacking” by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of confidential information. If a cybersecurity breach occurs, the fund may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose Sprucegrove and the fund to civil liability, as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals from the fund. In addition, investors could be exposed to additional losses as a result of unauthorized use of their personal information.

- *Limited Regulatory Oversight:* The fund is not registered as an “investment company” under the Investment Company Act of 1940, as amended or any comparable regulatory requirements, and does not intend to do so. Accordingly, the provisions of such regulations, which among other things generally require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be maintained in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to an investment in the fund. The fund is not subject to comparable regulation in any non-U.S. jurisdiction. Therefore, investors do not have the benefit of the protections afforded by, nor is the fund subject to the restrictions contained in, such registration and regulation.
- *Investors Will Not Participate in Management:* A client has no right to participate in the management of the fund or in the conduct of its business. There exists broad discretion to expand, revise or contract the fund’s business without the consent of other clients. Any decision to engage in a new activity could result in the exposure of the fund’s capital to additional risks which may be substantial.
- *Charges to the Fund:* The fund is obligated to pay certain fees and expenses, including the advisory fees, brokerage commissions and other costs and expenses associated with the acquisition and disposition of investments, and operating costs and expenses, irrespective of profitability. There can be no assurance that the fund will be able to earn sufficient income to offset these charges.

Market Related Risks

- *Market Risks in General:* Sprucegrove's strategies are subject to some dimension of market risk, including, but not limited to, directional price movements, deviations from historical pricing relationships, changes in the regulatory environment and changes in market volatility.

The particular or general types of market conditions in which the fund may incur losses or experience unexpected performance volatility cannot be predicted, and the fund may materially underperform other investment funds with substantially similar investment objectives and approaches.

- *Equity Securities:* The fund's equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Investing in an equity security entails the risk of negative events relative to the issuer such as the actual or perceived impairment of the issuer's financial condition or adverse changes in the general condition of the relevant stock market sector or the stock market as whole, that could cause the value of a client's holding in that security to decline. Equity securities are considered to be more risky than debt obligations, as debt holders receive priority over equity holders in the event of an issuer's liquidation. Dividends customarily paid to equity holders can be suspended or cancelled at any time. In addition, in many countries, investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments. Equity markets will fluctuate with changes in actual and expected financial conditions of the general economy and their constituent securities. For the foregoing reasons, investments in equity securities can be speculative and carry the risk of loss of principal.
- *Material Non-Public Information:* From time to time, Sprucegrove may come into possession of what it reasonably believes may be determined to be material non-public information concerning the issuer of a security held by the fund or any of such issuer's affiliates. Under applicable securities laws, this may limit Sprucegrove's flexibility to buy or sell such security for the fund and other accounts and funds managed by Sprucegrove. Such limitations on the Sprucegrove's ability to trade could have an adverse effect on the fund. Although Sprucegrove has adopted procedures to monitor the receipt of material non-public information, there is no guarantee that Sprucegrove will know whether one of its employees is in possession

of material non-public information or will be able to prevent such information from being used for the benefit or detriment of the fund.

Receipt of material non-public information about the fund's investments may restrict the ability of the fund to satisfy withdrawal requests. If a withdrawal request is received by the fund during a period when trading restrictions are imposed on the fund due to Sprucegrove's reasonable determination that it is in possession of material non-public information regarding the fund's investment, the fund may suspend withdrawals.

- *Reliance on Corporate Management and Financial Reporting:* Sprucegrove will rely on the financial information made available by the issuers in which the fund will invest. Sprucegrove has no ability to independently verify the financial information disseminated by the numerous issuers in which the fund may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to the issuers of investments held by the fund may result in material losses. Equity prices are particularly vulnerable to corporate mismanagement.
- *International Investing:* Investing outside the United States involves considerations that create risks different than investing in the United States. These risks include, among other things, (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, in certain countries, companies are not subject to uniform accounting, auditing and financial reporting disclosure standards, practices and requirements comparable to those applicable to United States companies.

Non-U.S. markets may also have different clearance and settlement procedures, and in certain markets, there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the fund are uninvested and no return is earned thereon. The inability of the fund to make intended security purchases due to settlement problems or the risk of intermediary counterparty failures could cause the fund to miss investment opportunities. The inability to dispose of a security due to settlement problems could result either in losses to the fund due to subsequent declines in the value of such structured credit security or, if the fund has entered into a contract to sell the security, could result in

possible liability to the purchaser. Transaction costs of buying and selling non-U.S. securities, including brokerage, tax and custody costs, also are generally higher than those involved in U.S. transactions. Furthermore, non-U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many non-U.S. companies are less liquid and their prices more volatile than securities of comparable U.S. companies.

The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

- *Emerging Markets Investing:* The fund invests a portion of its assets in the securities of, or instruments providing exposure to, less developed countries or countries with new or developing capital markets (“Emerging Markets”). The value of Emerging Markets currencies and securities may be drastically affected by political developments in the country of issuance. In addition, the existing governments in the relevant countries could take actions that could have a negative impact on the fund, including nationalization, expropriation, imposition of confiscatory taxation or regulatory or imposition of withholding taxes on interest payments.

Some of the countries in which the fund may invest have experienced political, economic and/or social instability. Many such countries have also experienced dramatic swings in the value of their national currency. There can be no assurance that such instability or such fluctuations will not occur in the future and, if they do occur, that they will not have a substantial adverse effect on the performance of the fund.

The economies of some Emerging Markets countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Also, some Emerging Markets economies have a high dependence on a small group of markets or even a single market. Emerging Markets countries also tend to have periods of high inflation and high interest rates, as well as substantial volatility in interest rates, which could adversely affect the fund.

Foreign investment in Emerging Markets countries is in some cases restricted. Many of these countries have non-convertible currencies and the value of investments

may be affected by fluctuation in available currency rates and exchange control regulations. The remittance of profits may therefore be restricted, and the fund may utilize swaps and other forms of indirect investment to access such markets. Moreover, the banking systems in these countries are not fully developed and considerable delays may occur in the transfer of funds within, and the remittance of monies out of, Emerging Markets countries.

Certain Emerging Markets countries are particularly likely to require identifying information about entities and persons who have direct, or even indirect, exposure to the securities of issuers in those countries. This may result in the fund being asked to provide information about investors to Emerging Markets regulators or to the brokers who are providing services to the fund in connection with trading activities. Such information may include, but may not be limited to, the identities and addresses of the investors.

- *Depository Receipts:* Fund investments in certain issuers may be in the form of American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”), which are instruments issued or sponsored by banks or brokerages and traded in U.S. and non-U.S. securities markets. ADRs and GDRs represent interests in a specified number of shares of US and non-US issuers, respectively. Fees and expenses related to holding these securities along with fluctuations in foreign exchange rates and tax treaties could cause an ADR and/or GDR to be of lesser value than its underlying security. An ADR and/or GDR may also entail the risk of loss as a result of the fact that they may offer fewer legal rights than the underlying security or that the issuer of the ADR or GDR changes its terms or terminates the security altogether.
- *Currency Risk:* The fund may invest in securities or other instruments denominated in non-U.S. currencies. Such investments involve various currency risks, including unfavorable currency exchange rate developments and political or governmental intervention in currency trading or valuation. These risks are higher in Emerging Markets. Sprucegrove does not currently hedge currency risk, but may do so in the future.

Because the fund will determine its net asset value in U.S. dollars, with respect to trading on non-U.S. markets, it is subject to the risk of fluctuation in the exchange rate between the local currency and dollars and to the possibility of exchange controls.

- *Market Disruptions; Governmental Intervention:* The global financial markets have in the recent past gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action—these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the fund. Market disruptions may from time to time cause dramatic losses for the fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

- *Geographic Risk:* Client investments may be made in countries or regions that have experienced natural disasters such as earthquakes and drought and may be more economically sensitive to environmental events than developed markets. The occurrence of such events in these countries or regions could negatively impact the performance of client holdings there.
- *Institutional and Counterparty Risk:* Institutions, such as brokerage firms, banks and broker dealers, generally have custody of the fund’s portfolio assets and may hold such assets in “street name.” Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the fund. The fund attempts to limit its investment transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks.

Events surrounding the bankruptcies or similar proceedings with respect to various parties have demonstrated the risk that assets which a trader such as the fund

believed were custodial under statutory and regulatory protections, could be subject to various risks and not subject to certain protections.

The banks or brokerage firms selected to act as the fund's custodians may become insolvent, causing the fund to lose all or a portion of the funds or securities held by those custodians.

Sprucegrove is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of Sprucegrove to transact business with any one or number of counterparties, the lack of any meaningful or independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the fund.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that may be material to a client's evaluation of the investment adviser or the integrity of its management.

Sprucegrove has no disciplinary information to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Sprucegrove has no other financial industry activities or affiliations.

Item 11 – Code of Ethics

As required by regulation, we have adopted a Code of Ethics (the “Code”) that governs a number of potential conflicts of interest we have when providing our advisory services. The Code is designed to ensure we meet our fiduciary obligation to clients and to promote a culture of compliance within our firm.

Our Code is comprehensive and applies to all of our principals and employees. The Code is distributed to each employee at the time of hire and at least annually thereafter. We also supplement the Code with bi-annual training and on-going monitoring of employee activity.

Our Code includes the following:

- Requirements to:
 - Protect the confidentiality of client information
 - Comply with all applicable laws, rules and regulations
 - Abide by the CFA Institute Asset Manager Code
 - Report any violation or potential violation of the Code or applicable laws to the Chief Compliance Officer
- Prohibitions on insider trading (if we are in possession of material, non-public information);
- Restrictions on the giving or receipt of gifts and gratuities;
- Pre-approval of personal trading of restricted securities which are securities we hold, or are under consideration as holdings;
- Reporting of all personal securities transactions; and
- On an annual basis, we require all principals and employees to re-certify their understanding and compliance with our Code and to identify any trading account in which they have a beneficial ownership (they “own” the account or have “authority” over the account).

Our Code does not prohibit personal trading by principals or employees. As employees of a professional investment adviser, we may follow our own advice and purchase or sell the same or similar securities traded in client accounts. This practice may give rise to conflicts of interest because it creates the opportunity to act on information regarding client trades in a manner that would favor the interests of the principal or employee over those of the client. The Code addresses these potential conflicts of interest by requiring principals and employees to obtain pre-approval for any such transactions with the Chief Compliance Officer. In addition, reports of personal securities transactions by principals or employees are subject to periodic review for compliance with the Code.

You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2; attention: Chief Compliance Officer.

Item 12 – Brokerage Practices

General Considerations – selecting / recommending brokers for Client transactions and commission charges:

General Considerations in Selecting Brokers for Client Transactions

Sprucegrove is authorized to select the brokers and dealers to be used for execution of client transactions. When doing so, it seeks to achieve best execution for those transactions, which generally means the most favorable cost or net proceeds reasonably obtainable under the circumstances, subject to the considerations noted below relating to soft dollars.

In evaluating whether it believes a broker-dealer, whether full service or execution-only (or as appropriate, an electronic communications network or other alternative trading system), can provide best execution for a client transaction, Sprucegrove will take into account a range of considerations, which may include: execution capability; commission rate; responsiveness; financial responsibility; trading experience, reputation and integrity; facilities, equipment, technology and infrastructure; opportunities for price improvement; the speed and likelihood of successful execution; advice on improving order and execution efficiency; reliability in executing trades; recordkeeping and reporting; order timing and size; the nature of the security being purchased or sold; historical and anticipated liquidity, trading volume and price volatility for the security being purchased or sold; current market conditions; market depth; recent order flow; capacity to handle unusual trading volume; access to underwritten offerings and secondary markets; willingness to accommodate special needs such as directed brokerage requests; swift resolution of trade errors and fairness in resolving disputes; confidentiality and discretion; availability of accurate information affecting choices as to the most favorable market center for execution and of technology aids to process such information; knowledge of the other side of a trade; quality and cost of services available from alternative broker-dealers; market makers and market centers; and the cost and difficulty associated with achieving an execution in a particular market center.

We use a broker ranking system to assist in allocating our client commission spending. Sprucegrove's ranking system includes input from our analysts, portfolio managers and traders. All brokers are ranked on best execution including market specialization, historical execution quality and competitiveness of commission rates. Full service brokers are also ranked on the value of their research, ability to provide access to company management and generation of useful investment ideas. Rankings are monitored on an ongoing basis.

Soft Dollars

In selecting a broker-dealer to execute client transactions, Sprucegrove may take into consideration the fact that the broker-dealer will provide research services (“soft dollar benefits”) in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)”), which permits an investment adviser to cause a client account to pay a higher commission to a broker that provides brokerage and/or research services than the commission another broker would charge, provided the adviser determines in good faith that the commission paid is reasonable in relation to the value of the brokerage and/or research services provided. Sprucegrove uses soft dollar research services it receives in managing client accounts. Sprucegrove limits soft dollar research services it receives to those that are proprietary to the broker-dealers executing client transactions, which include recommendations; reports; analysis; telephone contacts and personal meetings with security analysts, corporate and industry executives and other persons with relevant information and/or expertise; and structuring of transactions and/or investment programs. Sprucegrove relies primarily on its own internal research, but believes that proprietary research received from broker-dealers can be a valuable adjunct to its internal efforts and can provide information and insights that would not otherwise be available to it. Sprucegrove does not seek or receive soft dollar benefits in the form of third party research products or services.

In the most recently completed fiscal year, Sprucegrove received the following types of soft dollar benefits from broker-dealers executing client transactions: reports on national and international economic conditions, industries, groups of securities, individual companies; related statistical information; securities law, market regulation, accounting and tax law interpretations; analysis regarding political developments, legal developments affecting portfolio securities and technical market action; pricing and appraisal services; credit analysis; risk measurement analysis; performance analysis; and analysis of corporate responsibility issue. Services received also included access to individuals with expertise in, and/or information regarding, various industries, businesses, or other related areas. Soft dollar research was received primarily in the form of written reports, computer generated services, telephone contacts, and personal meetings.

To the extent that Sprucegrove receives research as a soft dollar benefit, it is relieved of the cost of generating or purchasing that research, which may give Sprucegrove an incentive to select a broker-dealer based on its interest in receiving soft dollar research, rather than on its clients’ interest in receiving most favorable execution. Research received by Sprucegrove as a soft dollar benefit is generally used by it in connection with some or all of

its client accounts and not just the account or accounts whose commissions generated the benefit. Sprucegrove does not seek to allocate soft dollar research to the clients whose commissions have generated that research. Sprucegrove's soft dollar practices may cause clients to pay higher brokerage commissions in connection with trades for their accounts than would otherwise be the case. Sprucegrove has estimated the value of the benefits received from soft dollar transactions to be approximately 1 basis point of the total assets under management.

Sprucegrove claims compliance with the CFA Institute Soft Dollar Standards. Additional information concerning Sprucegrove's Soft Dollar Arrangements is available to clients upon request.

Directed Brokerage

Sprucegrove may, at the request of a separate account client in writing, direct brokerage transactions undertaken on behalf of that client to a broker specified by the client. Sprucegrove reserves the right to limit the extent to which a client may designate brokers or dealers for the execution of their transactions. We generally participate in client directed brokerage arrangements to a limit of 25% of commissions generated by that client as long as it does not adversely impact our trading execution. A client account that directs brokerage will not receive any benefits from participating in aggregate trades with other clients (as discussed below) and may otherwise receive less favorable execution than if it had permitted Sprucegrove to place the account's trades.

Trade Aggregation

Orders entered for a specific security for multiple clients are consolidated for execution at the same price. Order fills are allocated daily on a pro rata basis at the average fill price for that day. However, partial order fills on a day may be allocated to a selection of those clients if such prorating would be uneconomic for one or more participating accounts, given minimum board lot sizes and client transaction costs. We attempt to ensure that such partial fills are allocated such that no client or class of clients is given preference.

Allocation of Investment Opportunities

Differences in the advisory fees paid by client accounts may create an incentive to allocate investments viewed as having greater potential to client accounts that pay higher advisory fees. Sprucegrove has adopted investment allocation policies designed to ensure equal and fair treatment of all client accounts with respect to investment opportunities. If the demand expressed on behalf of client accounts exceeds the amount of securities made available for investment by Sprucegrove clients, e.g., in a public offering, the available

securities will be allocated among interested client accounts using the same pro rata allocation method for partial fills in aggregated trades discussed above. The allocation of investment opportunities among client accounts is reviewed on a periodic basis to ensure compliance with the goals of the investment allocation policy.

Item 13 – Review of Accounts

Sprucegrove utilizes a team approach to portfolio management. Our portfolio management team is presently comprised of three portfolio managers. Each of these individuals collectively participates in and contributes to the management of all the portfolios we manage for our clients. We have assigned co-lead portfolio managers to take lead roles for each of our four primary mandates (International, Global, All Country World and All Country World ex U.S.). Accounts are reviewed by the portfolio managers on an ongoing basis as part of the day-to-day management of the portfolio.

Portfolio performance is reviewed on a quarterly basis and measured against market index benchmarks (*e.g.*, MSCI EAFE, MSCI World, S&P 500), or on a quarterly, annual and moving three and five year basis. The quarterly focus of the reviews is for consistency among the accounts under management with similar investment objectives and constraints, while the performance emphasis lies on the longer-term results.

The custodian is the official record keeper for all client accounts. With respect to the pooled investment funds, “Statements of Account” are produced by the custodian and sent to all clients monthly. The Statements of Accounts include a statement of units held, market value of units and transactions for the month. Separate account clients have direct access to their custodian records.

Sprucegrove provides a “Quarterly Portfolio Review Report” to all clients and investors in the private investment funds. The report reviews the fund performance returns, transactions and investment strategy and market highlights. It also provides various fund breakdowns by country, sector and market and comparisons to the fund benchmark.

Item 14 – Client Referrals and Other Compensation

Sprucegrove does not utilize client referral programs, nor does it provide other compensation outside of its stated remuneration process.

Item 15 – Custody

Separate account clients appoint their own custodian and receive account records directly from their custodian.

All assets of the private investment funds are held in custody by a qualified custodian. Each pooled investment fund has engaged a nationally-recognized, independent public accounting firm to conduct an annual audit of the fund, and audited financial statements prepared in accordance with generally accepted accounting principles are provided to investors in the fund on an annual basis.

We maintain our own internal investment system records to facilitate our portfolio management of accounts. These internal records will differ from the records maintained by the custodians. Differences occur primarily due to internal assumptions in the timing of transactions and currency conversion rates. The custodial records serve as the official account records for both private investment funds and separate accounts. We perform a detailed monthly reconciliation of our internal records to the official custodial records.

Item 16 – Investment Discretion

Sprucegrove acts as an adviser to clients under fully discretionary investment management agreements, which permit us to act at our discretion without first obtaining a client's prior consent. The agreements specify an investment mandate and such guideline restrictions as are mutually agreed to.

Sprucegrove's private investment funds are subject to the mandate and investment guidelines established in advance by Sprucegrove. Separate accounts have additional flexibility to accommodate a client's special requirements that we mutually agree to.

Item 17 – Voting Client Securities (*i.e.*, Proxy Voting)

Sprucegrove has authority to vote proxies for its pooled investment funds. We also often have authority to vote proxies for our separate account clients, unless they elect to do their own voting.

The CFA Institute has published guidelines relating to proxy voting that Sprucegrove follows. In general, Sprucegrove will support resolutions that in our judgment will maximize returns to our clients over the long term. We support the adoption of high standards of corporate governance and ethics by companies we invest in.

Sprucegrove subscribes to multiple advisory services to assist in the analysis of global proxy issues including:

- PIRC (Pension Investment Research Consultants)
- ISS (Institutional Shareholder Services)
- MSCI ESG Ratings
- Carbon Disclosure Project

We also subscribe to Global Proxy Watch, a weekly newsletter covering international corporate governance issues.

A potential conflict of interest for Sprucegrove could arise given the opportunity to vote client securities in its own interest, e.g., by agreeing to certain corporate actions for the purpose of getting or maintaining the soliciting issuer as a client. To address such conflicts, our proxy voting policy requires all proxies to be voted in the best interests of clients and specifies guidelines on voting with respect to a range of proxy voting issues. Any departure from the voting guidelines must be documented along with the reasons for the departure; these exceptions are reviewed on a periodic basis to ensure that the goals of the proxy voting policies are being met.

Sprucegrove maintains records of how it votes proxies. We provide our Proxy Voting Guidelines to all our clients annually and we provide a proxy voting report to clients who request it in writing from the Chief Compliance Officer.

Clients that do not give Sprucegrove proxy voting authority will receive proxies and other solicitations relating to their accounts directly from their custodians, and may contact Sprucegrove with questions about any particular solicitation.

Item 18 – Financial Information

There are no financial commitments that would impair Sprucegrove's ability to meet contractual and fiduciary commitments to clients, nor has Sprucegrove ever been the subject of a bankruptcy proceeding.