

# First Sentier Investors (US) LLC

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Form ADV Part 2A  
– The Brochure

A Guide to Our Services

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September 2020

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This brochure provides information about the qualifications and business practices of First Sentier Investors (US) LLC (“**FSI US**”).

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.

FSI US is registered as an investment adviser with the SEC. Registration as an investment adviser with the SEC does not imply any certain level of skill or training.

If you have any questions about the contents of this brochure, please contact us on 212-497-9980 or [Samantha.rick@firstsentier.com](mailto:Samantha.rick@firstsentier.com).

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

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## Item 2: Material Changes

On September 22, 2020, First State Investments (US) LLC changed its name to First Sentier Investors (US) LLC.

This change of name coincides with the rebranding of the global business of First State Investments to First Sentier Investors. That rebranding began mid 2019 in Australia, when First State Investments was acquired by Mitsubishi UFJ Trust and Banking Corporation, a wholly owned subsidiary of Mitsubishi UFJ Financial Group, Inc. and is now being carried out throughout the UK, Europe, Asia, and the US.

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## Item 4: Advisory Business Overview

First Sentier Investors (US) LLC (“FSI US”) is a Delaware limited liability company formed in February 2014 and registered with the U.S. Securities and Exchange Commission in April 2015.

FSI US is part of First Sentier Investors (“FSI”), a global asset management business. FSI US is ultimately 100% owned by Mitsubishi UFJ Financial Group, Inc. (“MUFG”). First Sentier Investors had US\$157.6bn assets under management as of December 31, 2019 and 250 investment focussed employees located in offices in Sydney, New York, London, Edinburgh, Dublin, Paris, Singapore, Frankfurt, Tokyo, and Hong Kong.

FSI US offers investment advice primarily to institutions.

Where we provide discretionary investment management services through a separate account we agree upon the investment objectives with the client and they may specify investment restrictions which would be set out in their investment management agreement with FSI US. We tailor the advisory services and fees charged to clients and the type of reporting they receive.

FSI US is the investment manager to investment vehicles with U.S., and non-U.S., institutional investors (“Private Funds”). FSI US does not anticipate registering such investment vehicles under the U.S. Investment Company Act of 1940 and their shares or interests, as applicable, will not be registered under the U.S. Securities Act of 1933. Accordingly, the Private Funds will not be publicly offered in the United States.

FSI US is also the investment adviser to a U.S. mutual fund, First Sentier Global Listed Infrastructure Fund (FLIIX).

FSI US does not participate in wrap fee programs.

As of December 31, 2019 FSI US had a total of \$1,578,433,489 of assets under management. This includes assets where we have sub-delegated discretion to an affiliate and assets where an affiliated manager has delegated authority to FSI US. Therefore, certain of the assets will also be included in the AuM reported by our affiliated managers.

## Item 5: Fees and Compensation

Fees and compensation are negotiated on a case by case basis with our clients. We either charge a management fee based on a percentage of assets under management or clients choose to pay a fee consisting of a combination of a percentage of assets under management and a performance based fee.

Clients pay management fees quarterly in arrears and performance based fees are calculated in accordance with the agreed formula and paid annually in arrears.

We invoice clients directly for the fees they have incurred. We will not deduct our fees directly from the client account however the client can instruct the custodian to pay FSI US out of the assets in the client account once the fee calculation has been reviewed and accepted.

In addition to FSI US's management fee, clients will incur other fees and expenses charged by third parties in relation to their account, including, for example custody fees, brokerage, foreign exchange fees and other transaction costs.

Account termination provisions are specified in the individual client agreements. However, generally the client can terminate the agreement by providing us with written notice at our principal place of business. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

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

### Performance Fees

As described in the Fees and Compensation section, clients may choose a fee containing an element of a performance based advisory fee.

FSI US does provide concurrent advisory services to clients that are not charged a performance-based fee and clients that are charged such a fee. Thus, the potential for us to receive greater fees from performance-based accounts itself creates a potential conflict of interest regarding the allocation of investment opportunities, as there is potential that we have an incentive to direct the best investment ideas to, or to allocate investments in favour of, the account that pays a performance fee.

To minimize potential conflicts, FSI US has implemented clear and equitable trade allocation procedures to ensure fair treatment of all clients.

### Side by Side Management

FSI US manages different types of accounts having different investment arrangements. Side-by-side management of institutional accounts gives rise to potential conflicts of interest. Potential conflicts arise where the actions taken on behalf of one account impacts other similar or different accounts (e.g., because such accounts have the same or similar investment styles or otherwise compete for investment opportunities, have potentially conflicting investments or investment styles, or have differing abilities to engage in short sales and similar types of transactions).

To acknowledge this conflict, FSI US have established policies and procedures that seek to provide assurance in that investment decisions are made in accordance with the fiduciary duties owed to such accounts.

Item 12 (Brokerage Practices) of this brochure describes our policy on allocating trades fairly, which is designed to allocate trades to clients in a fair and equitable manner over time, taking into consideration the interests of each client.

## Item 7: Types of Clients

We provide investment advice to institutional investors and accredited investors including:

- Pension plans
- Investment companies
- Other pooled investment vehicles (exempt from registration)
- Endowments
- State and Municipal organisations
- Charitable organisations

Clients are generally “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

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

### Investment Approach

Our approach to investing is driven by a focus on understanding our clients’ investment needs, applying the skills of our specialist investment teams, and acting with integrity to meet or exceed our clients’ expectations.

We aim to be a global leader in the markets in which we operate. We also seek to provide the best possible investment solutions for our clients.

The scale of our business, and the global reach of our resources, mean we have specialist investment teams which set their own style, which we believe promotes commitment and intellectual engagement.

We take the stewardship of our clients’ assets seriously. We believe in clearly understanding each client’s appetite for risk and returns over their chosen timeframe, and manage their investments to the highest standard of service, accountability and transparency.

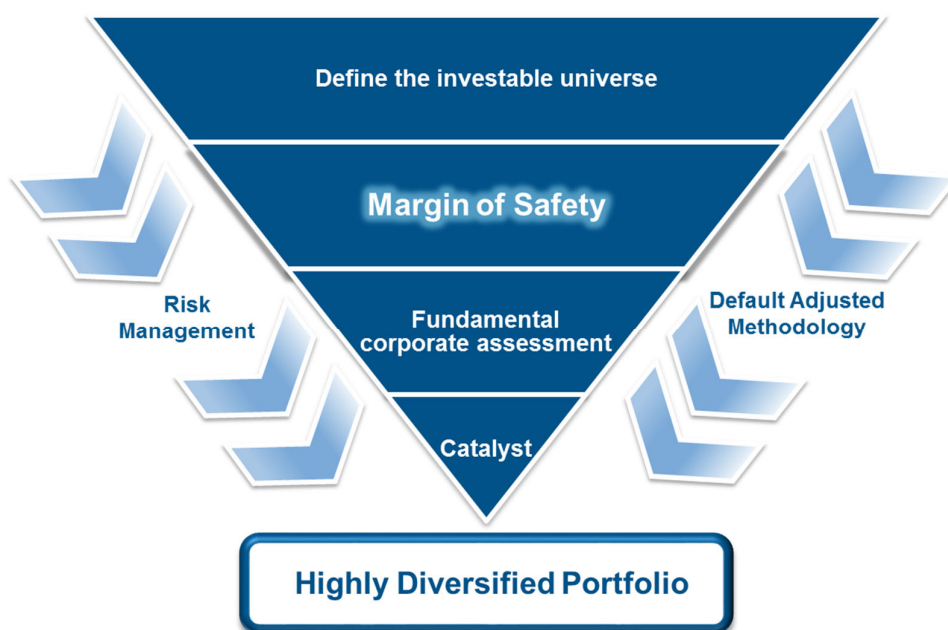
In a client focused business, we recognize that dedicated, talented and passionate people are the key to delivering investment success for our clients. It is only through our people, and the consistent, repeatable and robust business practices we have developed, that we are able to deliver successful outcomes for our investors.

### High Yield

#### **Investment Process**

Our High Yield Team employs a fundamental, value-driven Investment Process in the High Yield asset class. We seek to maximize Risk Adjusted returns, and generate superior returns over a market cycle, with less volatility than the broad High Yield market. Our approach to this objective involves maximizing the Default Adjusted yield and spread of a diversified portfolio.

Our Investment Philosophy is rooted in the conviction that High Yield corporate fixed income investing is first, and foremost about Risk Control. Therefore, the initial, and most important fundamental step in our Investment Process is a disciplined, and quantitative calculation of every potential investments “Margin of Safety.” The following diagram depicts the progression of our Investment Process, from the entire universe of non-investment grade, fixed income securities to the identification, at any given point in time, of the pool of securities that “fit” our stringent criteria for potential ownership.



### Investment Process Summary

While our Investment Process is rigorous in implementation, it is conceptually simple to summarize:

- **Minimum Yield Screen**, with “positive event potential” exceptions
- **Minimum Margin-of Safety**, requirements; quantified and stringently applied
- **Qualitative Fundamental Corporate Assessments**, to further safeguard against Default Risk
- **Default Adjusted Methodology**, focused on the spread premium necessary to overcompensate for Default Risk
- **Catalysts for Total Return**, expected to result in total returns above and beyond a coupon based yield

The following **Sub-Sections** describe each of these Investment Process steps in further detail.

#### Identify the potential investable high yield universe

Conceptually, our Investment Process begins by identifying the High Yield universe of potential interest; defined as any non-investment grade, fixed income security with a Spread-to-Worst (STW) greater than 200 basis points (2%) above the point on the government yield curve at the Worst Call Date (the Call Date with the lowest yield spread above the government yield curve). The conceptual logic behind a 200 basis point minimum STW is: +100 basis points of incentive not to own the comparable government bond, plus an assumed minimum default premium of +100 basis points to compensate for the risk inherent in even the safest non-investment grade, fixed income securities.

The only exception to this quantitative minimum spread are “special situations” with positive event expectations; for example, a bond we expect a company to buy back in the near-term, at a premium to the STW price for any number of reasons (e.g. bond covenants limiting a company’s ability to pay dividends to common stock, complete a merger with a another company, etc.).

#### Margin-of-Safety

The most important fundamental step of the Investment Process is a disciplined, and quantitative calculation of every potential investments Margin of Safety. Two critical metrics are involved in calculating an investments Margin of Safety:

1. Our proprietary, internal estimates of **Asset Coverage**, defined as the Real World value of a company relative to its gross debt obligations, and,
2. Our proprietary estimates of **Normalized Free Cash Flow** generation over the course of the complete forward looking economic cycle.

Margin of Safety is the most critical part of the Investment Process and the team strictly adheres to minimum Asset Coverage requirements for any investment to qualify for consideration as a portfolio constituent. Every High Yield security we purchase, and continue to own, must have an estimated minimum of 1.5 x asset coverage, with the majority having 2.0 x or greater.

#### *Fundamental corporate assessment*

The key measures of Margin of Safety are supplemented with the downside protection of numerous Qualitative Fundamental Assessments to further safeguard against Default Risk.

Most importantly, we seek to invest in the bonds of Strategically Significant companies, defined as those with leading market shares, low-cost positions or other sustainable competitive advantage (barrier to entry).

Additional protective, qualitative assessments include:

- i) The competency and confidence in a company's management; both in terms of business execution, and predictability of their intention regarding balance sheet leverage.
- ii) Individual issues with desirable characteristics/attributes: e.g. secured, an advantageous covenant/s, highest coupon, opportune maturity date, etc.
- iii) Individual issues with protective bond covenants: controlling leverage metrics; dividend payments; subordinating liens and leveraging asset sales; and priority within a capital structure (e.g. limited subordination to debt ahead in the capital structure).

Environmental, Social, and Governance ("ESG") is another important category of qualitative assessments that further bolster downside Default Risk Protection. Many ESG factors are fully captured in our fundamental credit analysis and Investment Process. Key factors such as corporate governance, business practices, industry and contingent liabilities related to environmental issues are researched thoroughly and factored into the Investment Process. Third party specialists that have developed specialized ESG rating methodologies are also used to supplement core credit analysis. ESG Risk receives further diligence through direct interaction with management and the analysis of regulatory filings.

Any and all of these Fundamental Corporate Attributes can offer additional protection against default, incremental to the key measures of Margin of Safety.

#### *Default adjusted methodology*

Our minimum Margin of Safety standard is integrated into a dynamic Default Adjusted Methodology, focused on the appropriate yield and spread necessary to overcompensate for the Default Risk in, and between Risk Groups.



We use a Risk Group categorization methodology in our Default Adjusted approach to comparing the relative value of credits that meet our Margin of Safety requirement, but present very different estimated Default Risks.

The methodology assigns every potential investment security that meets our Margin of Safety requirements, to one of four Risk Groups, dependent on the team's estimation of its Default Risk, based on measures of i) excess asset coverage, and ii) free cash flow generating capability, as follows:

Risk Group	Asset coverage	Cash flow volatility	"Normal" annual default rate
I	2.0x minimum	Low	1%
II	2.0x minimum	Medium	2%
III	1.5x minimum	High	4%
IV	Anticipate restructuring or default		

### **Catalysts for total return**

The team will not own any security that fails to meet our stringent, minimum Margin of Safety requirements, or fails to over-compensate for our estimation of Default Risk.

However, once securities pass the "downside protection" steps in our Investment Process, we look for Catalyst for Total Return; attributes and events that we expect to lead to overall credit improvement over the short-intermediate term, and are likely to result in relative spread tightening, and total returns above and beyond the return from income (coupon).

We identify three common Total Return Catalysts (drivers of credit improvement):

- "Actual free cash flow" generation
- Equal to, or greater than 5% of Gross Debt per year, and not returned to shareholders;  
Whether a company chooses to accumulate cash, pay down debt or purchase additional assets.
- Corporate restructuring
- A strategic operational improvement plan that we understand, judge to make sense, and is in the process of being implemented by management that we view as highly competent.
- Financial restructuring
- Commonly an equity raise; but also, any favourable balance sheet change

### **Investment Risks**

Investing in securities involves a risk of loss that clients should be prepared to bear. Investments that we make are focused on securities of issuers that we believe are undervalued or inexpensive, relative to other investments. These types of securities present risks, in addition to the general risk of investing in equity and bond securities. These securities are generally selected on the basis of an issuer's fundamentals, relative to current market price, and are subject to the risk of misestimating certain fundamental factors. In addition, during certain time periods, market dynamics may favor securities of issuers that do not display strong fundamentals, relative to market price, based upon positive price momentum and other factors. Disciplined adherence to our investment approach during such periods may result in significant underperformance, relative to overall market indices, and other managed investments that pursue growth style investments, and/or flexible equity style mandates.

#### *Asset-backed securities risk*

Risks include the effects of general and local economic conditions on asset values, the conditions of specific industry segments, the ability of the obligors to make payments including such factors as the level of personal income and the unemployment rate. Additionally, investments in asset-backed securities rely, to some extent, on the representations and warranties of the seller. In some cases, seller fraud can occur and there can be no assurance that the seller has adequate resources to compensate investors for their losses.

#### *Bank loan risk*

Unlike publicly traded common stocks which trade on national exchanges, there is no central place or exchange for loans to trade. Loans trade in an over-the-counter market, and confirmation and settlement, which are effected through standardized procedures and documentation, may take significantly longer than seven days to complete. Loans trade in an over-the-counter market and are confirmed and settled through standardized procedures and documentation. Extended trade settlement periods may, in unusual market conditions with a high volume of shareholder redemptions, present a risk to shareholders regarding the fund's ability to pay redemption proceeds within the allowable time periods stated in this prospectus. The secondary market for loans also may be subject to irregular trading activity and wide bid/ask spreads. The lack of an active trading market for certain loans may impair the ability of the portfolio to realize full value in the event of the need to sell a loan and may make it difficult to value such loans. There may be less readily available, reliable information about certain loans than is the case for many other types of securities, and the strategy's portfolio managers may be required to rely primarily on their own evaluation of a borrower's credit quality rather than on any available independent sources. Loans may not be considered to be "securities" for purposes of the anti-fraud protections of the federal securities laws, including those with respect to the use of material non-public information, so that purchasers, such as the fund, may not have the benefit of these protections.

#### *Call risk*

When interest rates are low, issuers may repay the obligation underlying a "callable security" earlier than expected, thereby affecting the investment's average life and perhaps its yield. A portfolio may have to reinvest the proceeds from the called security at the current, lower rates.

#### *Credit risk*

Failure of an issuer to make timely interest or principal payments or a decline in the credit quality of a bond can cause a bond's price to fall.

#### *Currency risk*

A portion of client assets may be invested in equity or bond securities denominated in currencies other than the base currency of the account, the prices of which are determined with reference to currencies other than the base currency of the account. Currency exchange rates can also be affected unpredictably by intervention, or the failure to intervene, by foreign governments or central banks. These factors will affect the value of a client's investments.

Forward currency contracts may be utilized to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective. Further, by engaging in cross hedging transactions, the risk of imperfect correlation between the subject currencies will be assumed. These practices present risks different from, or in addition to, the risks associated with investments in foreign currencies.

#### *Derivatives risk*

A small investment in derivatives could have a potentially large impact on a portfolio's performance. The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments, or the portfolio's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty, to the derivative instruments, to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk, and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments, as they may fluctuate in value more than the underlying instrument.

#### *Distressed securities risk*

An investment in the securities of companies that are experiencing significant financial or business difficulties, including companies involved in debt restructurings, bankruptcy, or other reorganization and liquidation proceedings, may result in significant returns, but typically involve a high degree of risk. Among the problems involved in investments in such issuers are:

- (i) it may be difficult to obtain information from such issuers who may be necessary to properly evaluate an investment;
- (ii) restructurings or reorganizations may be substantially delayed or fail to be completed;
- (iii) dividends, interest, or other disbursements may not be paid by the issuer; and
- (iv) client accounts may bear certain expenses to protect their investment in the course of negotiations surrounding any potential reorganization.

#### *Emerging markets risk*

The political and economic structures in many emerging markets are be in their infancy and developing rapidly. Such countries tend to lack the social, political and economic characteristics of more developed countries. A number of these countries have, in the past, failed to recognize private property rights and have, at times, nationalized and expropriated the assets of private companies. Many emerging markets have experienced substantial, and, in some periods, extremely high rates of inflation for many years. Continued inflation can adversely affect the economies and securities markets of such countries. In addition, unanticipated political or social developments can affect the value of investments in these countries.

#### *High yield securities risk*

Issuers of high yield securities generally have more limited revenue and cash flows, higher leverage in their capital structures, and less access to capital markets, than companies issuing investment grade debt. Therefore, investing in high yield corporate bonds entails increased credit risk, a higher probability of default, and higher liquidity risk. High yield issues also tend to have higher return volatility, and somewhat less interest rate risk, given the shorter duration of such issues compared to investment grade corporate bonds.

The small size, limited trading volume, and relative inexperience of the securities markets in some countries may make investments in such countries illiquid and more volatile than investments in more developed countries. Client assets may be invested in illiquid or restricted securities, for which there is

no established resale market. These securities may only be able to be liquidated at disadvantageous prices.

#### *Interest rate risk*

Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of a client's investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of a client's investment is likely to react to interest rates. Mortgage-related securities can have more interest rate sensitivity than other bonds because of prepayments and other factors, and carry additional risks and tend to be more volatile than other types of debt securities due to unexpected changes in interest rates.

#### *Illiquidity risk*

A portfolio may hold securities that are illiquid and cannot be transferred or redeemed for a substantial period of time, and there may be little or no near-term cash flow available to investors in the interim. A portfolio may not receive any distributions representing the return of capital on an illiquid security for an indefinite period of time.

#### *Leverage risk*

Derivatives and other investments involve a degree of leverage. Generally, leverage may occur when, in return for the potential to realize higher gain, an investment exposes the investor to a risk of loss that exceeds the amount invested. If FSI US uses derivatives for leverage, the value of a portfolio will tend to be more volatile, resulting in larger gains or losses in response to the fluctuating prices of its investments.

#### *Market risk*

Trading and investment strategies are subject to market risk. There can be no assurance that what is perceived as an investment opportunity will not, in fact, result in substantial losses as a result of one or more of a wide variety of factors. Certain general market conditions, for example a reduction in the volatility or pricing inefficiencies in the markets in which assets are invested, could materially reduce profit potential. Where the portfolio or fund we manage for clients includes bond (or debt) securities, these will also be affected by movements in interest rates. In general, if interest rates rise, the value of such securities will fall, and if interest rates fall, the value of such securities will rise.

#### *Mortgage-backed securities*

Risks include the effects of general and local economic conditions on real estate values, the conditions of specific industry segments, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants, which in turn may be affected by local conditions such as oversupply, or a reduction of, available space, the ability of the owner to provide adequate maintenance and insurance, changes in management of the underlying commercial property, energy costs, government regulations with respect to environmental, zoning, rent control, bankruptcy and other matters, real estate and other taxes, and prepayments of the underlying commercial or residential mortgage loans.

#### *Short selling*

A portfolio may engage in short selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in securities. There can be no assurance that the security necessary to cover a short position will be available for purchase, nor that the price of the underlying security will not increase, thus increasing the cost of buying those securities to cover the short position.

## Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our company or the integrity of our management. At the present time, FSI US does not have any material legal, financial or other disciplinary items to report.

## Item 10: Other Financial Industry Activities and Affirmations

FSI US is part of the MUFG group, which is one of Japan's leading providers of integrated financial services. In some cases, FSI US has business arrangements with related persons/companies to the FSI US advisory business or to their clients. In some cases, these business arrangements create potential conflicts of interest or the appearance of a conflict of interest between FSI US and a client. Recognized conflicts of interest are discussed in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) of this Brochure.

### Affiliated Broker Dealers

FSI US is associated with several broker dealers: MUFG Securities Americas Inc., Unionbanc Investment Services, LLC, Mitsubishi UFJ Securities International plc, and MUFG Securities EMEA Plc.

As appropriate and in accordance with regulation and client agreements, FSI US will on an arm's length basis, utilize the services of the affiliated broker dealers. FSI US will execute client transactions only when consistent with its duty to place the interests of clients first and to seek best execution (please see Item 12 – Brokerage Practices).

### Affiliated Investment Advisers

First Sentier Investors (Australia) IM Ltd ("FSI AIM") is an SEC registered investment adviser and is an affiliate of FSI US. FSI AIM is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSI AIM.

First Sentier Investors International IM Limited ("FSI IIM") is a registered investment adviser, and is an affiliate of FSI US. FSI IIM is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSI IIM.

First Sentier Investors (Singapore) ("FSI SG") is licensed by the Monetary Authority of Singapore in the conduct of its investment business in Singapore and is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC"). Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSI SG.

First Sentier Investors (Hong Kong) Limited ("FSI HK"), an affiliate of FSI US is licensed by the Securities and Futures Commission in Hong Kong and is an SEC registered investment adviser. FSI HK is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSI HK.

First Sentier Investors (Cayman) Infrastructure Managers IM Limited ("FSI CIIM"), is a registered investment adviser, and is an affiliate of FSI US. FSI CIIM offers investment advice primarily to institutions with respect to unlisted infrastructure assets.

FSI US serves as a sub-adviser for accounts, funds, or clients for which one or more FSI affiliates serve as investment manager or investment adviser and FSI US has appointed one or more FSI affiliates as sub-adviser. FSI US also provides and receives services in the areas of legal and compliance, risk management, human resources, finance, information technology, trade support, back and middle office support, and sales and marketing.

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

FSI US has adopted a Code of Ethics (the “Code”) that requires FSI US, and all employees, affirmatively exercise authority and responsibility for the benefit of clients, and not participate in any activities that may conflict with the interests of clients except in accordance with the Compliance Manual. In addition, employees must avoid activities, interests and relationships that might interfere, or appear to interfere, with making decisions in the best interests of the FSI US’ clients.

FSI US has adopted a Code of Ethics (“the **Code**”) that requires all employees to:

- Act with integrity, competence and in an ethical and professional manner;
- Always act in the best interests of clients;
- Comply with applicable U.S. federal securities laws, as well as all other applicable laws, rules and regulations; and
- Promptly report violations of the Code of Ethics.

### Protection of Non-Public Information

It is a crime in the U.S. and many other countries to transact in a company’s securities while in possession of material non-public information about the company. Employees are responsible for safeguarding non-public information relating to securities recommendations, fund and client holdings. As such, employees should not trade based on FSI US’s confidential and proprietary investment information. Other types of information (e.g., marketing plans, employment issues, client identities, etc.) may also be confidential and should not be shared with individuals outside FSI US (except those retained to provide services for FSI US).

### Personal Securities Trading

The Code of Ethics governs personal trading by all employees and members of their household. Employees are permitted to maintain personal securities accounts provided that such accounts are disclosed to FSI US and that any personal trading is consistent with applicable law and the Code of Ethics.

In summary, pre-approval is required for all transactions in reportable securities and all positions must be held for 60 days. Portfolio managers and research analysts cannot invest in any security that is or may be held by a portfolio for which he or she has responsibility.

### Gifts and Gratuities

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships; not to gain unfair advantage with clients or vendors. No gift or entertainment should ever be offered, given, provided or accepted by any FSI US employee unless it: (i) is unsolicited, (ii) is not a cash gift, (iii) is consistent with customary business practices, (iv) is not excessive in value, (v) cannot be construed as a bribe or payoff and is given or accepted without obligation, and (vi) does not violate applicable laws or regulations.

## Conflicts of Interest

In the discharge of its fiduciary duties FSI US has in place policies and procedures to manage actual or perceived conflicts of interest. In summary this involves:

- Putting in place controls to ensure the impact of the actual or potential conflict is reduced to an acceptable level; and/or
- Disclosing all material facts concerning any actual or potential conflict that may arise; or
- If an actual or potential conflict cannot be effectively managed by either disclosure or control then the situation must be avoided

## Outside business interests

FSI US's fiduciary duties to clients dictate that FSI US and its employees devote their professional attention to client interests above their own and those of other organizations. Permission must be obtained through management and the Compliance team prior to engaging in any outside business activity. FSI US can deny approval where the perceived conflict of interest cannot be managed effectively.

To request a copy of the FSI US Code of Ethics please write to the Chief Compliance Officer, First Sentier Investors (US) LLC 10 East 53rd Street, 21st Floor New York, NY 10022.

## Item 12: Brokerage Practices

### Order aggregation and allocation

FSI US seeks to aggregate and allocate trade orders in a manner that is consistent with its duty to:

- (1) seek best execution of client orders;
- (2) treat all clients fairly and equitably over time; and
- (3) not systematically advantage or disadvantage any single client or group of clients.

On occasion, FSI US will decide to purchase or sell the same security for multiple client accounts (including separate accounts, Private Funds, registered funds, and sub-advised accounts). When appropriate, and in accordance with policies and procedures pursuant it will combine or aggregate purchase or sale orders for the same security for multiple client accounts (also known as a bunched order) so that the orders can be executed at the same time. FSI US aggregates orders when FSI US considers doing so is in the interests of its clients. FSI US' client accounts may be included in the aggregated orders with clients of FSI US' affiliated advisers.

When orders are aggregated, the orders may be placed with one or more brokers for execution. When a bunched order is filled, FSI US generally will allocate the securities purchased, or proceeds of sale, pro rata among the participating client accounts, based on the pre-trade allocation. Adjustments or changes may be made under certain circumstances, such as to avoid small allocations or to satisfy cash flows and guidelines. If an order at a particular broker is filled at several different prices, through multiple trades, generally all participating client accounts will receive the average price.

Although allocating orders among FSI US clients creates potential conflicts of interest because FSI US could receive greater fees, or overall compensation from some clients than received from other clients, allocation decisions will not be made based on such greater fees or compensation. When an investment opportunity is suitable for two or more clients, allocations will be made in a fair and equitable manner, and will take the following factors, among others, into consideration: the relative size of the client account,



available cash for investment, investment objectives and restrictions, liquidity considerations, legal and regulatory restrictions, portfolio risk/return objectives, investment horizons, and client instruction.

FSI US will, from time to time, invest in the same securities that its affiliates are also currently invested. Portfolio management and security recommendations are undertaken at an investment strategy level and each investment team managing these strategies is organized separately. Information barriers and other controls exist between investment teams to manage any potential conflicts that may arise.

### Counterparty approval

FSI US has a rigorous counterparty approval process to ensure that we use suitable, reliable counterparties (brokers) when dealing on behalf of clients. In order to ensure that they are suitable and reliable, we have adopted an approved list of counterparties which have been reviewed and considered to be appropriate for us to deal with on behalf of our clients.

The process of approving new counterparties is the responsibility of the CFSGAM Fixed Income Best Execution Committee. The criteria used to assess each counterparty can be grouped into 5 main categories:

- Market execution factors (liquidity and pricing capabilities);
- Coverage and support;
- Financial strength;
- Operational capability;
- Ethical standards.

The weightings assigned to each category will vary depending on the individual asset sector, its requirements, and nuances.

In choosing brokers and deals for specific transactions, FSI US seeks “best execution”, which involves determining the above factors relative to the market and order characteristics at that specific point in time. In evaluating whether a broker or dealer will provide best execution for any specific order, FSI US considers a number of other factors including, but not limited to:

- (1) the size and type of transaction;
- (2) access to liquidity;
- (3) execution efficiency;
- (4) capital utilization;
- (5) the value of brokerage and services provided by the broker;
- (6) clearance and settlement services;
- (7) financial responsibility/counterparty credit statistics;
- (8) responsiveness to inquiries or issues;
- (9) confidentiality;
- (10) knowledge of the specific security and its industry group;
- (11) the availability of securities to borrow for short sales;
- (12) block trading capabilities;
- (13) access to markets; and



(14) the ability to limit market impact.

#### Cross transactions

When deemed in the best interest of the client, FSI US will utilize the services of ICAP CrossTrade for the execution of equal and opposite orders on the same instrument at an independent live mid-market price. In the event of execution of a trade, brokerage is charged at 0.01% on both the buy and the sell leg of the trade. Neither FSI US nor any related party receives any compensation as a consequence of such 'cross' transactions.

Cross trades will only be executed for clients that are not plans, trusts or retirement accounts governed by the Employee Retirement Income Security Act of 1974, as amended or funds registered with the SEC under the Investment Company Act of 1940.

#### Use of dealing commission

FSI US does not expect to use soft dollars.

#### Directed brokerage

At this time, FSI US does not accept client directed brokerage arrangements.

### Item 13: Review of Accounts

FSI US regularly reviews client accounts. The frequency of that review is determined by the requirements of the client and the nature of the mandate and includes periodic reviews of performance, investment activity and outlook. Normally these reviews would be carried out by the named portfolio managers, other qualified members of the investment team, together with the relationship manager, or in some cases, by the relationship manager directly. The named portfolio manager or senior member of the investment team and the primary relationship manager will meet with the client on at least an annual basis.

Periodic written data, including valuations and transaction information, is usually provided on a quarterly basis and may be supplied to the client or the client's designated representative for accounting, taxation or reconciliation purposes.

If FSI US considers a major market dislocation, or similar event has occurred, then client accounts would be reviewed and appropriate action and/or communication promptly taken.

### Item 14: Client Referral and Other Compensation

FSI US does not receive any additional compensation or economic benefits from third parties for providing investment advisory services to its clients and does not compensate anyone for client referrals.

### Item 15: Custody

Because FSI US is authorized to deduct fees from the Private Funds' accounts and because FSI US provides payment instructions to the custodians of the Funds, FSI US is deemed to have custody of the Private Funds' assets within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940. Physical custody of the Private Funds' assets is with a qualified custodian.

FSI US generally does not maintain custody of the assets of our clients with separately managed accounts. Instructions to facilitate payment of fees are generally initiated by the client through the client's custodian.

All clients should receive account statements directly from the broker-dealers, banks, trustees, or other qualified custodians with whom they have accounts. FSI US strongly urges all clients to compare the reports they receive from FSI US to the statements they receive from their broker-dealers, banks, trustees or custodians. Any issues or discrepancies should be communicated to FSI US promptly for investigation.

## Item 16: Investment Discretion

FSI US accepts discretionary authority to manage securities accounts on behalf of clients through the negotiation, agreement and execution of an Investment Management Agreement which sets out the investment objectives of the client and any limits that the client may wish to impose on our discretionary authority.

For instance, clients may restrict the type of securities that may be included in the portfolio, or place limits on borrowing, underwriting or limit investment in particular securities.

Each investment management agreement will contain specific provisions that both parties, and in some cases, multiple parties, will agree to.

FSI US also accepts client mandates on a sub-advisory basis.

## Item 17: Voting Client Securities

Proxy voting rights are an important part of shareholder responsibilities and we seek to vote on all possible resolutions at company meetings. Prior to voting, the relevant investment manager and analyst carefully consider each resolution. Recommendations from a selection of independent corporate governance research providers are also sought. Our investment teams retain full control over their proxy voting decisions, however, and do not necessarily follow the guidance provided by third party governance research providers.

FSI US has in place a corporate governance policy that describes the principles which are to be applied when voting the shares of listed companies. The policy outlines principles of good corporate governance and our approach to voting on specific types of resolutions in accordance with those principles. However, we recognise the unique circumstances of different companies and as a result may vote differently to the policy when we consider it to be in the best interests of our clients.

The authority and responsibility for exercising proxy votes will be defined within the investment management agreement executed between FSI US and each discrete mandate client. However, FSI US may still receive proxy voting instructions from each discrete mandate client on a case by case basis (provided FSI US is notified in a timely manner) or alternatively, the discrete mandate client may instruct their custodian directly.

Wherever a discrete mandate client delegates responsibility for exercising proxy votes and if requested by the client, FSI US will report back to the client how votes were cast on their behalf.

Our policy on proxy voting or additional information regarding how we voted on our clients' securities can be obtained upon request by writing to the Chief Compliance Officer at the address list on the cover page of this document.

## Item 18: Financial Information

FSI US does not require prepayment of any advisory fees.

Presently, FSI US has no financial commitments or obligations that would interfere with our obligations to our clients. FSI US has never filed for bankruptcy protection.