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**BROCHURE**

**PART 2A**

**July 28, 2021**

This brochure provides information about the qualifications and business practices of Somerset Capital Management LLP. If you have any questions about the contents of this brochure, please contact us at (011) 44 20 7259 1300 and/or [info@somersetcm.com](mailto:info@somersetcm.com). 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 Somerset Capital Management LLP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Whilst Somerset Capital Management LLP is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940 (the “Advisers Act”), as amended, it does not comply with the Advisers Act with regard to its non-US clients. Registration with the SEC does not imply a certain level of skills or training.

<b>ITEM 2: MATERIAL CHANGES</b>
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**A.** There have been no material changes made to this brochure since the Adviser's last annual update on June 26, 2020 save as follows:

- Somerset Capital Management LLP added a new China strategy.
- The Firm appointed James Wilson as the Chief Compliance Officer.

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#### ITEM 4: ADVISORY BUSINESS

**A. General Description of Advisory Firm** – Somerset Capital Management LLP (“SCM”) is a limited liability partnership which was formed in the United Kingdom on April 26, 2007. SCM commenced business shortly thereafter. SCM’s principal place of business is Manning House, 22 Carlisle Place, London SW1P 1JA, United Kingdom. SCM has been registered as an investment adviser with the SEC since June 6, 2008. SCM was authorised by the Financial Services Authority in the United Kingdom (“FSA”) between September 18, 2007 and March 31, 2013 when the Financial Conduct Authority (“FCA”) became SCM’s regulator and SCM has been authorised by the FCA since April 1, 2013. SCM is majority owned by its staff and its business affairs are directed by its Executive Committee.

**B. Description of Advisory Services** – SCM provides discretionary investment advisory services to its clients, which include institutions with separately managed accounts and pooled investment vehicles intended for sophisticated investors and institutional investors. SCM’s services are limited to the following long-only, global emerging market and frontier market equity strategies: 1) Global Emerging Market, 2) Small Cap, 3) Dividend Growth, 4) Mid Cap, 5) Small Mid Cap Emerging and Frontier Markets, 6) Frontier and 7) China, which are described further under item 8.

SCM provides discretionary advisory services to: (i) SCM sponsored private investment funds that are offered to U.S. and non-U.S. investors (the “SCM Funds”); (ii) certain other pooled investment vehicles offered solely outside the U.S. to non-U.S. investors; (iii) funds that are registered as investment companies under the Investment Company Act of 1940, as amended, to which SCM serves as a discretionary sub-adviser; (iv) separately managed accounts and (v) its Singapore affiliate, Somerset Capital Management Singapore Pte. Ltd. (“Somerset Singapore”).

An investor or prospect in a SCM Fund should refer to the confidential private placement memorandum, limited liability company agreement, articles of association and other governing documents for such pooled investment vehicle for more complete information about the investment objectives and investment restrictions applicable to such pooled investment vehicle. There is no assurance that any client account’s investment objectives will be achieved.

SCM has entered into “side letters” or similar agreements with certain investors in the SCM Funds granting the investor certain specific rights, benefits, or privileges that are not made available to investors generally.

**C. Availability of Tailored Services for Individual Clients** – SCM provides discretionary advisory services to client accounts based on a limited number of specific investment objectives and strategies. SCM may agree to tailor advisory services to the individual needs of clients including creating new investment strategies in response to specific client requests. Clients may impose restrictions on investing in certain securities or certain types of securities.

**D. Wrap Fee Programs** - SCM does not participate in wrap fee programs.

**E. Client Assets Under Management** - As of March 31, 2021, SCM managed the following client assets:

Non-Discretionary Client Assets:	US\$	0
Discretionary Client Assets:	US\$	<u>7,425,546,023</u>
Total Assets under Management:	US\$	7,425,546,023

## ITEM 5: FEES AND COMPENSATION

### A. Advisory Fees and Compensation

**Fee Schedules** - All U.S. clients of SCM are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Consequently, SCM has not included specific fee information in this brochure relating to its clients. An investor in a pooled investment vehicle advised by SCM should review the governing documents of such pooled investment vehicle in conjunction with this brochure for more complete information on the fees and compensation payable with respect to such pooled investment vehicle.

**Deduction of Fees** - Investment management fees and performance allocations charged to an SCM Fund are typically deducted directly from the assets of such SCM Fund.

**B. Payment of Fees** – SCM’s fees for its investment advisory services are generally payable monthly or quarterly in arrears. SCM does not allow clients to elect that SCM deduct its fee directly from their account. Upon termination of SCM’s investment advisory services with respect to a client account, any earned, unpaid fees will be immediately due and payable by the applicable client.

Please refer to the governing documents of the applicable SCM Fund for more complete information on the timing of advisory fee payments by such SCM Fund.

**C. Other Fees and Expenses** - In addition to paying investment management fees, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts. In addition to the expenses set forth above, each SCM Fund will also pay legal fees, fees charged by accountants and administrators for their professional services and other expenses related to the fund as described in greater detail in the fund’s offering documents. Client assets may be also invested in money market mutual funds or other investment funds. In these cases, the client will bear its pro rata share of the investment management fees and other fees and expenses of the fund, which are in addition to the investment management fee paid to SCM.

To help ensure that the SCM Funds and therefore the investors in these funds are not charged undue costs, SCM’s policy is (i) to make adequate disclosure in the offering documents of the SCM Funds in relation to the nature of fees and expenses charged to the funds and (ii) not to charge the SCM Funds any fees and expenses that do not directly benefit the funds and their investors and to pay for such costs itself.

The section below entitled “Brokerage Practices” describes the factors that SCM considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

**D.** SCM’s clients do not pay fees in advance.

**E.** Neither SCM nor its supervised persons will receive any form of compensation as broker or agent for the sale of securities or other investment products by any client account save that a trail fee is paid to a senior member of the Marketing department and which is calculated as a set percentage of management fees received for UK and certain continental European clients following successful marketing by the individual over a three year period.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

### Performance-Based Fees

SCM may receive a performance-based fee or special allocation of profits from its clients (including some of the SCM Funds) separate and distinct from the advisory fees that such clients pay SCM for its investment advisory services. Different client accounts may be subject to different performance-based compensation arrangements. The performance-based compensation arrangements comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (together with all the rules and regulations promulgated thereunder, the “Advisers Act”).

Performance-based compensation arrangements received by SCM may create an incentive for SCM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Please refer to the governing documents of the applicable SCM Fund for more complete information on the performance-based compensation arrangement such SCM Fund is subject to.

### Side-by-Side Management

SCM and its investment personnel provide investment management services to multiple portfolios for multiple clients. SCM is entitled to be paid performance-based compensation by certain client accounts which include private funds. SCM and its investment personnel manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain client accounts may have higher asset-based fees or more favourable performance-based compensation arrangements than other accounts. When SCM manages more than one client account a potential exists for one client account to be favoured over another client account. SCM and its investment personnel have a greater incentive to favour client accounts that pay SCM performance-based compensation or higher fees.

To mitigate the potential conflicts of interests described above, in the event that investment opportunities are suitable for more than one client account in a strategy, it is SCM’s policy to allocate all investment opportunities in a manner that is fair and equitable to each client account relative to the other relevant client accounts over time, taking into account all factors potentially applicable to each client. Among the factors that may be considered by SCM in allocating trades among client accounts are SCM’s target percentages for that stock in reference to the client account’s total asset value, investment policies, guidelines or restrictions applicable to each specific client, available liquidity, prevailing security prices and timing of cash flows.

## ITEM 7: TYPES OF CLIENTS

**Types of Clients** - As noted under **Item 4 – Advisory Business** above, SCM provides discretionary investment advisory services to: (i) the SCM Funds; (ii) certain other pooled investment vehicles offered solely outside the U.S. to non-U.S. investors; (iii) funds that are registered as investment companies under the Investment Company Act of 1940, as amended, to which SCM serves as discretionary sub-adviser; (iv) separately managed accounts and (v) Somerset Singapore. SCM’s clients and the investors in the SCM Funds may include corporations, endowments, foundations, trusts, estates, charitable organizations, pension and profit sharing plans and high net worth individuals. The SCM Funds are offered exclusively to investors who qualify as “accredited investors” as defined in Regulation D under the Securities Act of 1933, as amended, and “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company

Act of 1940, as amended, (the “Investment Company Act”) and are therefore not required to register as investment companies under the Investment Company Act in reliance upon certain exemptions available to funds whose securities are not publicly offered.

**Minimum Investment Requirements** – SCM generally requires that a client invests a minimum of \$50,000,000 to open a separately managed account. However, SCM may accept a lesser initial investment in its sole discretion.

The minimum investment in respect of each SCM Fund is set out in the SCM Fund’s governing documents. The Manager (Somerset Capital Management USA LLC) of each SCM Fund may, in its discretion, waive the minimum investment amount.

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

**A. Methods of Analysis and Investment Strategies** - SCM utilizes seven long-only global emerging market and frontier market investment strategies: (1) a Global Emerging Market strategy; (2) a Small Cap strategy; (3) a Dividend Growth Strategy; (4) a Small Mid Cap Emerging and Frontier Markets strategy; (5) a Mid Cap strategy; (6) a Frontier Markets strategy; and (7) a China strategy.

The investment objective of the **Global Emerging Market strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America.

The investment objective of the **Small Cap strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America and whose market capitalisation does not exceed US\$ 2.5 billion at the time of the investment (although the strategy may add to such positions from time to time notwithstanding that the market capitalization of an investee company may subsequently exceed US\$ 2.5 billion).

The investment objective of the **Dividend Growth strategy** is to seek to achieve capital appreciation and income growth by mainly investing in an actively managed portfolio of dividend-paying emerging market securities. The portfolio consists principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America.

The investment objective of the **Small Mid Cap Emerging and Frontier Markets strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in emerging or frontier countries (principally in Asia, Eastern Europe, the Middle East, Africa and Latin America). The strategy focuses on small and mid-cap companies with market capitalisations ranging from US\$ 250 million to US\$ 7.5 billion.

The investment objective of the **Mid Cap strategy** is to seek capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in frontier and emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America and whose market capitalisation is generally less than US\$ 13 billion.

The investment objective of the **Frontier Markets strategy** is to maximise the long-term capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies listed or operating in frontier and smaller emerging market countries (principally in Asia, Eastern Europe, the Middle East, Africa and Latin America).

The investment objective of the **China Strategy** is to generate superior absolute returns through the implementation of a long only Asia equity strategy, with a particular focus on companies whose performance will be based on the economic development and changes in the Greater China Region.

SCM utilizes fundamental research to identify investment opportunities including research provided by Somerset Singapore. SCM utilizes a variety of information sources for its research, including specialist databases, company reports and websites, third party equity research, company visits and the press.

SCM's approach to sustainability was designed by its investment team and is largely independent from third party vendors. The cornerstone of SCM's research process is a risk framework centered around 4 key stock specific risk and three sustainability factors:

1. The environmental impact of production
2. The treatment of human labour
3. Product responsibility

The team are required to make an explicit assessment of the materiality of each of the three sustainability factors when conducting due diligence on a company. SCM relies on publicly available information to analyse a company's sustainability risk exposure. SCM believe it is particularly important to increase the emphasis it places on stewardship, both in regard to influence on executive teams and reporting to its clients.

While SCM expects to invest primarily in quoted equities, it may also invest in unquoted equities (although the proportion of assets invested in such securities is expected to be low and may also be limited by the terms of the client agreement). SCM has implemented a risk management framework to address the risk that portfolio managers exceed the risk tolerance levels or stated objectives of a client (such as those set out in the prospectus of the SCM Funds), resulting in overconcentration in a single issuer or sector, or in illiquid assets. SCM's permanent risk management function is headed by the Chief Operating Officer ("COO") and supported by three permanent members of staff who administer SCM's risk management system. The risk management function reports to the Risk Management Committee comprising the Chief Executive Officer ("CEO") and the COO.

SCM's risk management function monitors the liquidity of each SCM Fund against the redemption policy. The Risk Management Committee of SCM will be notified, in a timely manner, whenever a liquidity mismatch arises that could result in damage to the interests of a SCM Fund or its investors. The policy of SCM is to ensure that for each SCM Fund, the liquidity profile of the fund remains consistent with its redemption policy so as to address the risk that SCM has to sell a materially greater proportion of a SCM Fund's liquid assets in order to meet redeeming investors' requirements than it would otherwise sell in the exercise of prudent investment management, with the result that remaining investors hold a materially higher proportion of illiquid or relatively illiquid assets; or that SCM executes sales of illiquid assets at discounted prices, thereby reducing returns for all investors.

**This investment strategy and method of operation involves the risk of loss to clients and clients should be prepared to bear the loss of their entire investment.**



## **B. Material Risks Related to Investment Strategies:**

The following summary identifies the material risks related to SCM's significant investment strategies and should be carefully evaluated before making an investment with SCM; however, the following does not intend to identify all possible risks of an investment with SCM or provide a full description of the identified risks. Investors and potential investors in the SCM Funds should refer to the offering memorandum for a further discussion of the applicable risks.

### ***Equity Securities***

Equities are a volatile asset class suitable only for clients with a tolerance for wide fluctuations in the market value of their investments. The market price of equity securities may be affected by international events or market factors such as economic or industry cycles or broad declines in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts. Multinational companies earn revenues and incur expenses in multiple currencies. Currency fluctuations can affect a multinational company's financial performance and/or competitive position. Investing in companies with small and medium-sized market capitalizations may involve greater risk than investing in larger companies, and their share prices can fluctuate dramatically in a short period of time. Small and mid-cap companies may be more susceptible to setbacks or downturns than larger companies and may experience higher rates of bankruptcy or other failures. In addition, the shares of a small or mid-cap company may be thinly traded.

### ***Emerging and Frontier Markets.***

The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging or frontier markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

### ***Warrants***

A warrant is a time-limited right to subscribe for shares or bonds at a particular price and is exercisable against the issuer of the warrants. The issuer of the warrants may be the original issuer of the underlying securities or a third party issuer that has set aside a pool of the underlying securities to cover its obligations under the warrants (i.e., covered warrants). Each warrant is a contract between the warrant issuer and the holder. The holder is therefore exposed to the risk that the issuer will not perform its obligations under the warrant. The price of the warrants will be affected by the risk factors that can affect the price of the underlying securities to which the warrant relates. Warrant prices can be volatile. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant.

### ***Bank Issued Warrants / Promissory Notes***

Bank issued warrants and promissory notes give the holder the economic exposure to shares and are issued in markets where non-resident investors face hurdles in acquiring the underlying shares. These instruments are subject to the risk of non-performance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty.

### ***Non-US Securities and Foreign Currency Exposure***

Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in

emerging or frontier markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market. A substantial portion of securities in SCM's client accounts may be denominated in currencies other than the U.S. dollar and as SCM does not currently employ hedging techniques, the value of the client account can be significantly affected by currency movements.

#### ***Illiquid Instruments.***

Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and SCM's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for SCM to obtain market quotations for the purpose of valuing a client's portfolio.

#### ***Currency Exchange Transactions***

Currency exchange transactions protect against uncertainty in the level of future exchange rates when merited and practicable. SCM may conduct currency exchange transactions for a client account either on the spot (i.e., cash) basis at the rate prevailing in the currency exchange market, or through entering into forward contracts to purchase or sell currency. The use of forward currency contracts does not eliminate fluctuations in the underlying prices of the securities, but it does establish a rate of exchange that can be achieved in the future. Although forward currency contracts limit the risk of loss due to a decline in the value of the hedged currency, at the same time they also limit any potential gain that might result should the value of the currency increase.

### **C. Risks Associated with Types of Securities that are Primarily Recommended – See Item 8.B.**

### **D. Additional Risks Relating to the Investment Advisor**

#### ***Cybersecurity Risk***

The information and technology systems of SCM and of key service providers to SCM and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although SCM has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for SCM to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of SCM or its client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

#### ***Risk Management Failures***

Although SCM attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by SCM, are based on historical market behaviour, but future market behaviour may be entirely different and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, SCM may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.

### ***Systems and Operational Risk***

SCM relies on certain financial, accounting, data processing and other operational systems and services that are employed by SCM and/or by third party service providers, including the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, SCM and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by SCM and third party service providers to safeguard information in these systems, SCM, clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

## **ITEM 9: DISCIPLINARY INFORMATION**

This Item is not applicable.

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

**A.** SCM is not registered as a broker-dealer.

**B.** SCM is not registered as a commodity pool operator or a commodity trading adviser.

**C. Material Relationships or Arrangements with Industry Participants** – Somerset Capital Management USA LLC ("Somerset USA") is a limited liability company incorporated in the USA on May 10, 2019. Somerset USA and SCM are under common control. Somerset USA has been appointed Manager of the SCM Funds. Somerset USA does not provide investment advisory services to the SCM Funds, nor to the other clients of SCM. SCM acts as the investment adviser to the SCM Funds.

Somerset Capital Management Singapore Pte Ltd ("Somerset Singapore") is a company incorporated in Singapore and which provides research and related services to SCM. Somerset Singapore and SCM are under common control. Somerset Singapore has been registered with the Monetary Authority of Singapore to undertake the regulated activity of Fund Management since July 2, 2013.

The SCM Funds have and may in the future enter into additional agreements, or "side letters," with certain prospective investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the relevant SCM Fund. For example, such terms and conditions may provide for special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the investor and/or other terms; and such other rights as may be negotiated by the SCM Fund and such investors. The modifications are solely at the discretion of the Manager of the SCM Fund and may, among other things, be based on the size of the investment in the SCM Fund.

No recommendations of other investment advisors to clients.

<b>ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>
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**A. Code of Ethics** - SCM has adopted a Code of Ethics (the “Code”) that sets out its policies in respect of personal securities transactions, gifts & business entertainment, outside affiliations and political and governmental activities of its employees<sup>1</sup>. The Code obligates SCM and its employees to put the interests of SCM’s clients before its own interests and to act honestly and in good faith in all respects in its dealings with clients. All of SCM’s personnel are also required to comply with applicable federal securities laws.

The Code requires all employees to seek prior approval for and to report their personal securities transactions and holdings to SCM’s CCO. The CCO will consider potential conflicts with clients’ interests as part of the approval process and the personal securities transaction will not be approved where there is a conflict. SCM’s Code prohibits SCM or its employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the CCO. Employees are restricted from opening new positions in Emerging Market or Frontier Market securities. SCM further restricts members of the investment team and the trading team from holding emerging market and frontier market securities (other than as collective investment scheme investments) when they join SCM. Employees joining the investment team and the trading team will be asked to sell any emerging market and frontier market holdings within 3 months of joining unless specific permission is granted by the Compliance Officer. Personal account investments by employees into funds managed by SCM are encouraged. All of SCM’s employees are also required to provide broker confirmations of each transaction in which they engage and a quarterly certification of such transactions, as well as disclose their holdings on at least an annual basis.

SCM, in the course of its investment management and other activities, may come into possession of confidential or material non-public information about issuers, including issuers in which SCM has invested or seeks to invest on behalf of clients. SCM is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. SCM maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that SCM is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, SCM may possess certain confidential or material, non-public information that, if disclosed, might be material to a decision to buy, sell or hold a security, but SCM will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, SCM will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that SCM possesses such information), or not using such information for the client’s benefit, as a result of following SCM’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Clients or prospective clients may obtain a copy of the Code of Ethics by contacting James Wilson (Chief Compliance Officer) by email at [compliance@somersetcm.com](mailto:compliance@somersetcm.com) or by telephone at (011)44 20 3906 2452.

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<sup>1</sup> The term “employees” includes “relevant persons” (i.e., any of the following (a) a director, partner or equivalent, manager, employee or appointed representative of SCM, and (b) any other natural person, including persons operating under an outsourcing arrangement, whose services are placed at the disposal and under the control of SCM and who is involved in the provision by SCM of regulated activities as defined by the FCA) and “access persons” (i.e., a supervised person who has access to non-public information regarding a client’s purchase or sale of securities, who is involved in making securities recommendations to clients or who has access to such recommendations that are non-public; a “supervised person” means a director or officer (or other person occupying a similar status or performing similar functions), employee and any other person who provides advice on behalf of SCM and is subject to SCM’s supervision and control.)

To address the risks that the personal interests of the COO (who heads the risk management function and is a member of SCM's Valuation Committee) conflict with his professional role for SCM and that the CEO asserts undue influence, SCM has implemented mitigating measures by (i) implementing a strong, documented and clear risk management framework, overseen by the Risk Management Committee (comprising the CEO and the COO); and (ii) segregating the risk management and the portfolio management functions hierarchically throughout the whole hierarchical structure of SCM up to the Executive Committee, with the COO sitting on the Executive Committee.

**B. Client Transactions in Securities where Adviser has Material Financial Interest** – SCM may, on occasion, cause one or more of its clients to buy securities from, or sell securities to, other clients of SCM at current market prices, including accounts in which SCM, its principals or employees are investors or in which such persons may have a financial interest due to the payment of a performance allocation to SCM (or an affiliate) by such client.

SCM may effect cross transactions between discretionary client accounts, except as noted below. Cross transactions enable SCM to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavourable price movement that may be created through entrance into the market and saving commission or other transaction costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. SCM has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between clients are not permitted if they would constitute “principal transactions” or transactions for which SCM or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which SCM or its affiliates will act, and otherwise in accordance with the Advisers Act and related rules. In addition, cross transactions are not permitted for certain accounts where legal restrictions apply including, but not limited to, benefit plans that are subject to the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

Remuneration and bonus arrangements for all employees of SCM are carefully considered to ensure that conflicts do not inadvertently arise through targets that inappropriately incentivise staff to behave in a manner that disadvantages the interests of a client in favour of SCM or of other clients.

**C. Investing in Securities Recommended to Clients** – SCM and its principals and employees are investors in some of the SCM Funds. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by SCM, its principals and employees, is the primary method employed by SCM to address the conflicts of interest that arise with respect to these transactions.

**D.** SCM does not recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that SCM or a related person buys or sells the same securities for its own account.

## **ITEM 12: BROKERAGE PRACTICES**

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions** - Unless otherwise provided in an investment management agreement with a particular client, SCM possesses the same discretion to determine the broker or dealer to be used for each securities transaction for each client account. In selecting brokers or dealers to execute transactions (or series of transactions), SCM considers a number of factors to determine the reasonableness of the broker-dealer's compensation. Such factors include price, ability to effect the transactions, the brokers' or dealers' facilities, reliability

and financial responsibility, special execution capabilities, block trading capabilities and similar services; however, SCM need not solicit competitive bids from broker-dealers and does not have an obligation to seek the lowest available commission cost.

**1. Soft Dollar Benefits and Inducements** - SCM may receive benefits from certain broker-dealers in connection with client securities transactions. This is known as a “soft dollar” relationship. SCM limits the use of "soft dollars" to obtain brokerage services in compliance with the FCA Rules and as permitted under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”). FCA Rules in this area are notably more restrictive than SEC Rules. In particular, firms which carry out portfolio management are restricted from accepting and retaining third party inducements (fees, commissions or monetary and non-monetary benefits) in relation to the provision of services to clients. However, such a firm may accept Minor Non-Monetary Benefits that are: (i) capable of enhancing the quality of service provided to a client; and (ii) of a scale and nature such that they could not be judged to impair compliance with the firm’s duty to act in the best interests of the client. The following benefits qualify as Minor Non-Monetary Benefits:

1. information or documentation relating to a financial instrument or an investment service which is either generic in nature or personalised to reflect the circumstances of an individual Client;
2. written material from a third party that is commissioned or paid for by a corporate issuer (or potential issuer) to promote a new issuance by the company, or contractually engaged and paid by the issuer to produce such material on an on-going basis, provided the relationship is clearly disclosed in the material and that the material is simultaneously made available to any firm wishing to receive it or to the general public;
3. participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;
4. hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or the training events mentioned above; and
5. research that is received during an initial trial period (of no more than 3 months in any 12 month period) to evaluate the research provider’s research service.

Corporate access services provided by brokers and broker research, other than as described above, are paid for directly by SCM from its own resources and accordingly are not treated as inducements.

**2.** SCM does not select or recommend broker-dealers based on whether it receives client referrals from such broker-dealer.

**3. Directed Brokerage** - Under certain circumstances, SCM may permit clients to direct it to execute the client’s trades with a specified broker-dealer. When a client directs SCM to use a specified broker-dealer to execute all or a portion of the client’s securities transactions, SCM treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion SCM would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the client’s account. Although SCM attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case SCM will continue to comply with the client’s instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, SCM will select broker-dealers other than the directed broker-dealer to effect client securities transactions. A client who directs SCM to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because SCM may not be able to aggregate orders to reduce transaction costs), less favourable execution of transactions, and the potential of exclusion from the client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the

particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. By permitting a client to direct SCM to execute the client's trades through a specified broker-dealer, SCM will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The commissions charged to clients that direct SCM to execute the client's trades through a specified broker-dealer may in some transactions be materially different to those of clients who do not direct the execution of their trades. Clients that direct SCM to execute their trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other clients of SCM.

**B. Order Aggregation** - Where possible, SCM will aggregate orders for clients for the purchase or sale of the same security using the same executing broker. Such aggregation may enable SCM to obtain for clients a more favourable price or a better commission rate based upon the volume of a particular transaction. Nevertheless, there may be circumstances when aggregation works to the disadvantage of a client but is done to provide equitable treatment to all clients. SCM aggregates client orders where it reasonably believes that this is in clients' overall best interests or to provide equitable treatment. Where it is intended to aggregate orders for clients, this will be disclosed in the relevant client investment management agreements or offering memoranda.

Where it aggregates orders across client accounts, SCM will pre-allocate the securities across the aggregated client accounts before the transaction is effected, specifying the participating client accounts and method of allocation among accounts. After the trade is executed, securities shall be promptly allocated to client accounts in accordance with pre-allocation. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the volume-weighted average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, SCM's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients.

### ITEM 13: REVIEW OF ACCOUNTS

**A. Frequency and Nature of Review** – SCM will periodically monitor portfolio investments on behalf of each client account. Each client account is generally reviewed daily by the relevant Investment Managers for weightings of individual positions, performance and adherence to investment policies.

**B. Content and Frequency of Regular Account Reports** - Each client that has a separately managed account will receive reports in accordance with what is specified in their individual investment management agreement. Generally, clients will receive a monthly written summary of their account's performance, and key highlights of trading activity. Such reports may be delivered electronically to the client in accordance with the client's agreement with SCM.

Each SCM Fund distributes to its investors a monthly investment report, a monthly statement of account, and annual audited financial statements within 120 days after the financial year end, and annual tax reports.

#### ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

**A. Economic Benefits Received from Non-Clients for Providing Services to Clients** - As discussed in **Item 12 – Brokerage Practices** SCM receives certain Minor Non-Monetary Benefits from third parties. Please see **Item 12 – Brokerage Practices** for further information on SCM’s practices in respect of soft-dollars and inducements.

SCM does not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to SCM’s clients, other than from broker-dealers in the form of soft dollars as described above.

**Third Party Compensation for Client Referrals** – SCM or its affiliates may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to an SCM Fund. Any sales charge associated therewith will ultimately be payable by SCM or its related persons, either directly or through an offset of the management fee payable by the relevant SCM Fund to SCM. An investor will not be charged any additional amount or bear any additional charges as a result of an introduction through a placement agent or other unaffiliated third party.

Consistent with SCM’s fiduciary duties to its clients, SCM endeavors at all times to put the interests of the SCM Funds over the interests of SCM or its affiliates. Nevertheless, the receipt of compensation by placement agents creates a potential conflict of interest and may affect the judgment of placement agents when making referrals to SCM and the SCM Funds.

#### ITEM 15: CUSTODY

SCM will not have physical custody of any client assets. SCM is subject to Rule 206(4)-(2) of the Advisers Act, the “Custody Rule” because SCM and its affiliate Somerset USA (the Manager of the SCM Funds) are under common control.

It is SCM’s policy to cause the SCM Funds to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of the SCM Funds, SCM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all investors promptly after completion of the audit.

#### ITEM 16: INVESTMENT DISCRETION

SCM provides investment advisory services on a discretionary basis to clients. Please see **Item 4 – Advisory Business** for a description of certain limitations clients may place on SCM’s discretionary authority.

Prior to assuming full discretion in managing a client’s assets in a separately managed account, SCM enters into an investment management agreement that sets forth the scope of SCM’s discretion.

Unless otherwise instructed or directed by a discretionary client, SCM has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client



investment objectives and strategies and other criteria as set out below, there may be differences among clients in invested positions and securities held.

SCM's Investment Managers submit an allocation statement to SCM's trading desk describing the allocation of securities to (or from) client accounts for each trade/order submitted. The Investment Manager may consider the following factors, among others, in allocating securities among clients: (i) client investment guidelines; (ii) restrictions placed on a client's portfolio by the client or by applicable law; (iii) size of the client account; (iv) existing size and average cost of the security in the client's account; and (v) account liquidity and timing of cash flows.

Allocations will be made among client accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a pro rata basis, except when SCM determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

SCM maintains policies in respect of trading errors which require that, to the extent that trading errors occur, they are corrected as soon as practicable. As soon as a trading error is suspected, it is SCM's policy that the CCO be alerted immediately and he reviews the facts and determines an appropriate course of action. The CCO has discretion to resolve a particular error in a manner other than specified in SCM's procedures. SCM is responsible for its own errors and not the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by SCM. Broker-dealers are not permitted to assume responsibility for trading error losses caused by SCM.

#### **ITEM 17: VOTING CLIENT SECURITIES**

**A. Policies and Procedures Relating to Authority to Vote Client Securities** – To the extent SCM has been delegated proxy voting authority on behalf of its clients, it complies with its Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that it votes proxies with respect to client securities in the best interests of its clients. The Procedures also require that SCM identify any conflicts of interest between SCM and its clients. If a material conflict exists, SCM will determine whether voting in accordance with the voting guidelines and factors described in the Procedures is in the best interests of the client or take some other appropriate action.

Where SCM considers that proposals that are put forward for proxy voting by an investee company indicate that management of that company no longer meets the criteria which SCM considers appropriate for including that company's securities in its client portfolios, it may decide to disinvest from that stock.

In the absence of specific voting guidelines mandated by a particular client, SCM will endeavour to vote proxies in the best interests of each client. This may include a decision neither to support nor oppose a recommendation by management of such companies and instead to affirmatively elect not to vote proxies (except for clients subject to ERISA, as described below). Where SCM elects to vote a proxy, the proxy shall be voted on a case-by-case basis, taking into account all relevant facts and circumstances at the time of the vote. SCM will generally apply the following guidelines in voting proxies:

- (1) For routine housekeeping proposals such as the reappointment of auditors and the approval of accounts, SCM will generally vote in favour.
- (2) For proposals which limit shareholders' ability to replace management or directors of an issuer, or cause management to be overrepresented on the board, introduces cumulative

voting, unequal voting rights and creates supermajority voting, SCM will generally vote against.

For other proposals, SCM shall determine whether a proposal is in the best interest of its clients and may take into account the following factors, among others:

- whether the proposal was recommended by management and SCM's opinion of management;
- whether the proposal acts to entrench existing management;
- whether the proposal fairly compensates management for past and future performance; and
- whether the proposal is likely to strengthen the issuer's business franchise and therefore benefit its shareholders over a time frame that is relevant for the SCM's clients' portfolios.

SCM will not abstain from voting or affirmatively decide not to vote a proxy if the client is a plan asset fund subject to the requirements of ERISA. The proxy shall be voted on a case-by-case basis, taking into account all relevant facts and circumstances at the time of the vote.

SCM will not vote proxies for any client that retains discretionary authority to vote its proxies or if it otherwise does not have discretionary authority to vote the client's proxies.

The Proxy Voting Policy also requires that SCM identify and address any material conflicts of interest between SCM and its clients. If a material conflict exists, SCM will determine whether voting the proxy in accordance with the guidelines and factors described in the Proxy Voting Policy is in the best interest of the client or take some other appropriate action.

Clients may obtain a copy of SCM's Proxy Voting Policy and information about how it voted a client's proxies by contacting James Wilson ([compliance@somersetcm.com](mailto:compliance@somersetcm.com)).

**B.** SCM has been delegated authority to vote Client securities in respect of some, but not all managed accounts.

<b>ITEM 18: FINANCIAL INFORMATION</b>
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This Item is not applicable.