



## Perpetua Investment Managers (Pty) Limited

### BROCHURE Form ADV Part 2A

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This Brochure provides information about our qualifications and business practices. If you have any questions about the contents of this Brochure, please call or e-mail us, details above.

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any regulator or state securities authority.

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

**This Brochure is intended solely for our U.S. resident clients.**

## Item 2 – Material Changes

This is our initial Brochure, filed with the SEC as we register as an investment adviser.

In future filings, this section of the Brochure will address those material changes that have been added since the most recent delivery to clients and posting of this document on the SEC's public disclosure website ("IAPD"), [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

If you would like a copy of this Brochure, you may download it from IAPD or contact us, details noted above.

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## **Perpetua Investment Managers (Pty) Ltd**

### **Item 4 - Advisory Business**

#### ***Principal Owners***

Perpetua Investment Managers (Pty) Ltd is a Cape Town, South African-based asset management firm established in 2012 by Delphine Govender and Logan Govender. We are regulated by the South African Financial Services Conduct Authority ("FSCA"). We are filing with the SEC under the U.S. Investment Advisers Act of 1940 ("Advisers Act") to become an SEC registered investment adviser.

We have 25 staff members ("Supervised Persons"), of which 14 are investment professionals. Our directors are Raymond Ndlovu, Zwelinthini Patrick Ntshalintshali, Alida de Swardt, Delphine Govender and Logan Govender. Ms Govender, our CIO, has been our principal owner since inception and owns 51% of our voting equity. Eight Supervised Persons are shareholders as part of a Share Incentive Scheme, but none own 25% or more of the outstanding shares. More information on our share ownership and executive officers are disclosed in our Form ADV Part I.

Perpetua's senior management and staff are experienced industry professionals who have previously worked at various investment firms in South Africa. We have built our systems, operations and client servicing capabilities to deliver industry-leading service based on our collective experience. However, we continuously engage with clients and consultants to establish if any new services or reports are required to enable clients to fulfil their obligations. We collect this information as part of regular, informal face-to-face meetings as well as more formal report back presentations.

#### ***Types of Advisory Services***

We provide investment services to multi-managers, pension funds, individuals and their related entities, including trusts and estates, charitable organizations and business entities. In structuring and servicing client accounts, we consider client performance objectives, restrictions and guidelines, as well as other factors deemed relevant by the client and disclosed to us.

We provide discretionary investment management services in respect of equity and multi-asset strategies to our clients. Our product offering for U.S. resident clients consist of separately managed accounts ("SMAs"). We do not take or solicit orders to buy or sell securities from U.S. clients.

Our strategies, the types of securities in SMA portfolios and our investment approach are set forth in Item 8, below.

#### ***Individual Needs of Clients***

With each client, we identify investment objectives, strategies, asset allocation and restrictions, which we record in a client investment management agreement ("IMA"). We review IMAs annually and when client particulars change.

Each portfolio is managed by a team of experienced investment professionals.

#### ***Assets Under Management***

As of 30 June 2021, our assets under management were \$670,983, 233.

## Item 5 - Fees and Compensation

### Fee Schedule

We offer investment management services to U.S. clients for a fee based on a percentage of assets under management ("Fee"). We do not charge U.S. clients a performance fee. While we have a quoted fee structure, we negotiate our Fee.

### Annual Fees

All Developed All Cap Assets (Global, EAFE, EAFE+Canada and/or ACWIxUS)	
Up to \$50 Million	65 bps
Greater than \$50 Million and less than or equal to \$75 Million	55 bps
Greater than \$75 Million and less than or equal to \$100 Million	50 bps
Greater than \$100 million	45 bps

### Valuation and Fee Calculation

The client selects the custodian to hold assets. Custodians value assets. We calculate our Fee monthly in arrears, based on the custodian's valuations. This is a conflict of interest, and we address this by having our auditors review the Fee calculation methodology and calculations when they conduct our annual audit.

### Payment of Fees

We do not charge a Fee in advance. IMAs state the Fee each client pays. Clients may elect to pay their Fee directly or authorize their custodian, acting as their agent, to debit our Fee from their custodial account and pay us.

### Other Fees and Expenses

Our Fee is exclusive of and in addition to brokerage commissions, transaction fees, custody fees, securities exchange fees, stamp duties and other related costs, taxes and expenses, which clients pay. If we exercise discretion and invest client assets in a fund, the investment managers of those funds would charge management and/or performance fees and other expenses. We do not invest U.S. client assets in Perpetua funds or the funds of any related person.

A client may terminate its IMA without notice. Upon termination, any fee for the period from the first date of the month to the date of termination becomes due and payable. The custodian will take steps for the disposition or moving of assets after account closure, as required.

We do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds

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

Side-by-side management means the practice of managing accounts that are charged a performance fee while at the same time managing accounts that are not. U.S. clients do not pay a performance fee, but we do have non-U.S. client accounts that pay a performance fee – subject to conditions for which such fee is earned. Because we manage simultaneously accounts with a performance fee and not with such fee, there are conflicts of interest. A performance-based compensation arrangement entitles us to additional compensation if the performance of an account bearing the performance-based compensation exceeds an established high-water mark or benchmark – which is the case for certain non-U.S. client accounts. We have the potential to receive higher compensation from an account for which we are paid performance-

based compensation than for an account that is charged a lower performance-based compensation or no such fee. There is an incentive to favour accounts or take increased investment risk on behalf of accounts for which we receive a performance fee. Client profiles are determined by factors such as investment objective and risk aversion and not based on the type of fee being paid. We use policies and procedures to address conflicts of interest, including policies designed to ensure allocation of trades and securities to client accounts on a fair and equitable basis and policies regarding brokerage commission as well as monitoring of trading positions that are held in client accounts. We will not unfairly favour certain accounts (such as accounts with performance fees) over others when allocating investment opportunities.

## Item 7 - Types of Clients

Our clients include institutions (retirement funds, multi-managers, medical aid schemes, corporates and university endowments), trusts, South African UCITs and retail asset aggregators.

The minimum investment for an SMA is \$25m, which is negotiable.

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

### **Method of Analysis**

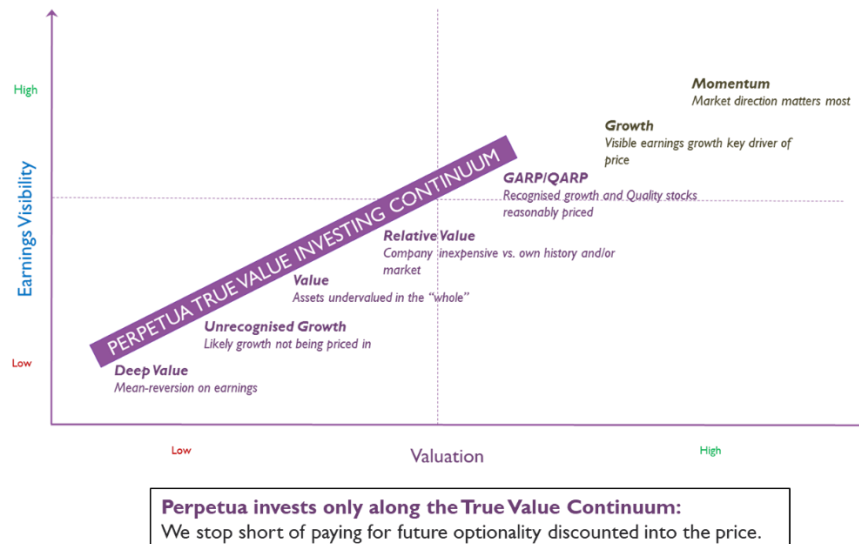
We primarily undertake fundamental analysis. The main sources of information that we use includes, but is not limited to, Bloomberg analytics, financial newspapers and magazines, corporate websites, annual reports, company presentations, regulatory filings, conferences attendance and third-party fundamental research.

Our investment approach is comprised of the following attributes.

- **Long-term investment horizon:** We are patient, long-term investors that typically adopt a three- to five-year investment horizon when assessing shares for initial inclusion in the portfolio. It could be longer or shorter depending on whether our investment thesis still holds and the share offers compelling value.
- **Fundamental, valuation-based:** We are bottom-up in our approach and conduct fundamental propriety research in our assessment of securities for inclusion in the portfolio. We buy shares that trade at a sufficient margin-of-safety to our conservative estimate of intrinsic value. We are innately contrarian, but mindful of being contrarian for the sake of being different.
- **Risk averse:** Our objective is to generate superior long-term returns while mitigating downside risk. The risk that we seek to avoid is the probability of permanent loss of capital or impairment to the business and its intrinsic value. Environment, Social and Governance (“ESG”) considerations are integral to any assessment of risk, and our propriety risk-rating framework is integrated into our investment process. We strive to understand potential risks, internal and external, at both the individual security and portfolio level.
- **Benchmark agnostic, high active-share:** We are unconstrained in our approach and look for the best risk-adjusted value opportunities across geography, sector and market capitalisation. Our portfolios are concentrated in the best ideas and will likely to look different from the benchmark, leading to high-active share.
- **Macro-aware:** While our approach is fundamental, bottom-up and valuation-based, we do not simply ignore or neglect the broader macroeconomic landscape within which many of the companies we research operate in. On the contrary, we strive to develop a deep awareness and understanding of the macroeconomic risks that could negatively impact any potential investment, and the ‘state of play’ as it relates to determining what are normal business conditions or not.
- **Culture:** We are one team, one culture but diverse perspectives. It is the shared experiences and ability to pull together through when the seas are rough. It encompasses individual accountability within a team-based collaborative environment.

## Approach

Our value-based approach to investing is depicted in our Perpetua True Value Continuum. The purple (bold) line indicates the area that we believe our competencies best equip us to uncover value, as we are mindful that there are multiple theses as to why we can uncover shares trading below their intrinsic value.



## Strategies

We offer the following investment strategies.

Perpetua Multi-Asset with Relative Value Equity	Perpetua Multi-Asset with True Value Equity	Perpetua Relative Value
South African or global multi-asset class portfolio, combining our top-down macro driven asset allocation process with bottom-up fundamental asset class research and stock-picking. The portfolio construction of the domestic equity component is benchmark cognisant	South African or global multi-asset class portfolio, combining our top-down macro driven asset allocation process with bottom-up fundamental asset class research and stock-picking. The portfolio construction of the domestic equity component is benchmark agnostic	South African equity portfolio with defined rules regarding allocation to each share and sectors relative to benchmark exposure; will own minimum positions in large shares even if not on buy list
Multi-portfolio manager system	Multi-portfolio manager system	Rules based system with appointed portfolio managers

Perpetua True Value with minimum holdings	Perpetua True Value	Perpetua Global Equity
South African equity true value portfolio with minimum holdings stipulated for high benchmark weighted shares or shares with high contribution to tracking error	South African equity, high conviction, unconstrained portfolio construction; no minimum holdings; only invests in approved buy list shares; maximum tracking error upper bound maybe client restricted	Global equity, high conviction, unconstrained portfolio construction; no minimum holdings; only invests in approved buy list shares; maximum tracking error upper bound maybe client restricted
Multi-portfolio manager system with stipulated minimum guidelines pro-rated	Multi-portfolio manager system	Rules based system with appointed portfolio managers

## **Portfolio Management**

We believe that the best predictor of returns is the price paid for a security relative to its intrinsic value. Over the long term, the price of a security and its true intrinsic value should converge; however, over the shorter term, they can diverge materially. Mispricing often occurs as the broader market tends to be optimistic on the “favoured” shares, overvaluing them while being unfairly pessimistic on the undervalued “out-of-favour” shares. A key reason for this is the market’s tendency to focus more on sentiment and shorter-term factors and to overlook longer-term fundamentals that better reflect the true value of a business. Being value-oriented means that we focus less on continuance of market trends in terms of the price of a share (momentum investing) but rather on a share’s intrinsic value relative to its price. Our investment philosophy seeks to identify and exploit these mispriced opportunities. Whilst it is difficult to predict when the share price and its intrinsic value will converge, we are comforted by our thorough investment research, and we are patient enough for the investment thesis to be fulfilled.

The global equity investment process comprises idea generation, company research, portfolio construction and portfolio risk management. While the process consists of individual components, it should be seen as one integrated investment process. We follow a bottom-up investment process that facilitates stock selection. Through a fundamental, bottom-up, value-oriented investment approach, we aim to buy securities at deep discounts to our conservative estimates of intrinsic value. We are unconstrained by geography, sector or benchmark considerations, resulting in an investment process that is opportunities driven, and a portfolio that is built from the bottom up based on the most compelling value opportunities.

The global equity universe is defined as listed equities, including real estate investment trusts (“REITS”), limited partnerships and limited liability companies. Mutual funds, ETFs, equity derivatives and most investment trusts are not included. To ensure the global equity capability is scalable and meets minimum liquidity requirements, we apply a minimum market capitalisation and minimum average daily value traded. This results in an investable universe of approximately 5,400 shares, excluding Chinese listed shares. The universe is broken down into large-caps, mid-caps and small-cap. The investable universe is finally segmented into developed and emerging markets per MSCI classification rules.

We run various quantitative and qualitative screens across our investable universe. These include, but are not limited to, a high moat list (containing roughly 200 high quality global companies with an identifiable competitive advantage that we monitor closely for further detailed research), mean reversion opportunities, statistically cheap shares and capital cycle analysis.

Once a decision is made to pursue an investment idea, our research process will proceed in three phases. First level research is focused on categorizing the investment idea. Second level research is focused on evaluating whether an investment idea meets our investment criteria. Once the investment idea has been vetted by peer review, it proceeds to a detailed research group report. The third and final phase is comprised of scheduling formal meetings where company governance, operational, financial and competitive aspects are explored. In addition, we vet management comments from these meetings against competitors, suppliers, prior presentations and quarterly filings. Analysts conduct in-depth research using an investment framework that focuses on aspects such as quality of the business, competitive position, growth prospects, potential for sustainable value creation, ability of management to realise the full potential of the business, financial strength of the business, risk-reward trade-off and ESG considerations.

A buy list is compiled as an outcome of the research process. The buy list is not a call to act per se and there is no mechanism that forces a share from the buy list into a portfolio manager’s or a client’s portfolio. Portfolio managers exercise their discretion as to whether to purchase a specific share, considering any internal, mandate or regulatory restrictions.



Individual portfolios are built through bottom-up stock selection and portfolio managers have full discretion to manage their individual portfolios, subject to the investment process described above. There is no house view or model portfolio, and portfolios are built agnostic of any benchmark. Portfolio managers are individually responsible for the shares in their portfolio. We do not have automatic selling rules; like purchasing, selling is a function of the portfolio manager's discretion.

### **Key risks of Perpetua's investment strategy**

All investing involves a risk of loss that clients must be prepared to bear, including the risk that the entire amount invested can be lost.

Financial markets fluctuate substantially. Investing in international markets entails greater risks than those normally associated with domestic markets, such as political, currency and economic risks. These risks are magnified in countries with emerging markets because these countries tend to have less stable governments and less established markets and economies. Regardless of the financial market in which one may invest, the performance of any investment is not guaranteed, and past performance cannot be used to predict future results or success. Although we manage assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful.

#### *Market and Economic Risk*

An account's investment value can decline due to changes in general economic and market conditions. A security's value held in an account can change in response to developments affecting entire economies, markets or industries, including changes in interest rates, political and legal developments, and general market volatility.

#### *Equity Investments*

Stock market prices of securities can be adversely affected by many factors, such as an issuer's experiencing losses, the lack of earnings or its failure to meet the market's expectations with respect to new products or services. Stock prices can be affected by factors wholly unrelated to the value or condition of the issuer. If the stock market declines in value, client portfolios are also likely to decline. Furthermore, a focus on certain types of stocks (such as small or large capitalization) and styles of investing (such as value or growth) subjects client portfolios to the risk that their performance can be lower than the performance of portfolios that focus on other types of stocks or that have a broader investment style (such as the general market).

#### *Currency*

Currency risk is the risk that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from investments in securities denominated in a foreign currency or may widen existing losses.

#### *Cybersecurity*

With the increased use of technologies such as the Internet to conduct business, we and our clients are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing disruption. Cyber-attacks are carried out in a manner that does not require gaining unauthorized

access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting us and service providers (including, but not limited to, custodians, brokers, transfer agents, transition managers and other financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, impediments to business transactions including trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers in which a client's assets are invested, counterparties with which a client engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. In addition, substantial costs may be incurred to prevent any cyber incidents in the future. While we have an established business continuity plan in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such a plan and systems including the possibility that certain risks have not been identified. Furthermore, we cannot control the cyber security plans and systems put in place by our service providers or any other third parties whose operations may affect a client.

#### *Liquidity Risk*

Liquidity – or the ability to quickly sell an asset at its fair market value – is important to equity investment strategies. Under certain market conditions, such as volatile markets or when trading in a financial instrument or market is impaired, the liquidity of portfolio positions may be reduced. In addition, a client's portfolio may, from time to time, hold large positions in a specific security or financial instrument, which may reduce the portfolio's liquidity. During such times, we may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect portfolio rebalancing efforts or our ability to meet redemption requests. Under these circumstances, we may be forced to dispose of financial instruments at reduced prices, thereby adversely affecting performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, we may be unable to sell financial instruments or prevent losses relating to such financial instruments. If substantial trading losses are incurred, the need for liquidity could rise sharply while access to liquidity is impaired. Finally, in conjunction with a market downturn, counterparties could incur losses of their own, thereby weakening their financial condition and increasing a client's credit risk to those counterparties.

#### *Credit Risk*

There can be no assurance that issuers of the securities or other instruments in which an account invests will not be subject to credit difficulties leading to the loss of some or all the sums invested in such securities or instruments or payments due on such securities or instruments (as well as any appreciation of sums invested in such securities).

#### *Emerging Markets Risk*

Where clients hold securities in emerging markets, additional risks may be encountered.

- **Accounting Standards:** in emerging markets, there is an absence of or inconsistencies in accounting, auditing and financial reporting standards and practices.
- **Business Risks:** in some emerging markets, , crime and corruption, including extortion and fraud, pose a risk to businesses. Property and employees of underlying investments may become targets of theft, violence and/or extortion.
- **Country Risk:** the value of assets will be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied.
- **Currency Risk:** the currencies in which investments are denominated are unstable, subject to significant depreciation and not be freely convertible.

- **Depository Risk:** depositories may not be able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets, and there is a risk that the client will not be recognised as the owner of securities held on its behalf by a sub-depositary due to local record holder and beneficial owner requirements. In some of markets, trading, settlement and custodial systems are not fully developed, and assets that are traded in such markets and which have been entrusted to sub-depositaries in such markets are exposed to risk in circumstances in which the sub-depositary will have no liability. Rules regulating corporate governance are undeveloped and therefore may offer little protection to shareholders.
- **Disclosure:** less complete and reliable fiscal and other information will be available to investors or in a language requiring translation.
- **Legal:** the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made will not provide the same degree of investor protection or information to investors as would generally apply in major securities markets. Risks associated with many emerging market legal systems include: (i) the untested nature of the independence of the judiciary and its immunity from economic, political or nationalistic influences; (ii) inconsistencies among laws, presidential decrees and governmental and ministerial orders and resolutions; (iii) the lack of judicial and administrative guidance on interpreting applicable laws; (iv) a high degree of discretion on the part of government authorities; (v) conflicting local, regional and federal laws and regulations; (vi) the relative inexperience of judges and courts in interpreting new legal norms; and (vii) the unpredictability of enforcement of foreign judgements and foreign arbitration awards or no means to enforce them. There is no guarantee that further judicial reform aimed at balancing the rights of private and governmental authorities in courts and reducing grounds for re-litigation of decided cases will be implemented and succeed in building a reliable and independent judicial system.
- **Market Characteristics/ Liquidity and Settlement Risks:** in general, emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets. Many emerging markets are not highly regulated. When seeking to sell emerging market securities, little or no market may exist for the securities. The combination of price volatility and the less liquid nature of securities markets in emerging markets may, in certain cases, affect one's ability to acquire or dispose of securities at the price and time it wishes to do so, and consequently may have an adverse impact on investment performance. Settlement of transactions may be subject to delay, administrative uncertainties and increased costs.
- **Political Risk:** the risk of government intervention is particularly high in the emerging markets because of both the political climate in many of these countries and the less developed character of their markets and economies. Government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the value of securities.
- **Tax:** The taxation system in some emerging market countries is subject to varying interpretations, frequent changes and inconsistent enforcement at the federal, regional and local levels. Tax laws and practices in some emerging market countries are at an initial stage of development and are not as clearly established as in more developed countries.
- **Frontier Markets Risk:** Investing in the securities of issuers operating in frontier emerging markets carries a high degree of risk and special considerations not typically associated with investing in more traditional developed markets. In addition, the risks associated with investing in the securities of issuers operating in emerging market countries are magnified when investing in frontier emerging market countries. These types of investments could be affected by factors not usually associated with investments in more traditional developed markets or emerging markets, including risks associated with expropriation and/or nationalisation, political or social instability, pervasiveness of corruption and crime, armed conflict, the impact on the economy of civil war, religious or ethnic unrest and the withdrawal or non-renewal of any licence enabling us to trade in securities of a particular country, confiscatory taxation, restrictions on transfers of assets, lack of uniform accounting, auditing and financial reporting standards, less publicly available financial and other information, diplomatic development which could affect investment in those countries and potential difficulties in enforcing contractual obligations. These risks and special considerations make investments in securities in frontier emerging market countries highly speculative in nature and, accordingly, an investment must be viewed as highly speculative in nature and may not be suitable for an investor who is not able to

afford the loss of their entire investment. If a client invests a significant percentage of their assets in a single frontier emerging market country, they will be subject to heightened risk associated with investing in frontier emerging market countries and additional risks associated with that country

#### *Exchange Control and Repatriation Risk*

It may not be possible to repatriate capital, dividends, interest and other income from certain countries, or it may require government consents to do so. If so, clients will be adversely affected by the introduction of, or delays in, or refusal to grant any such consent for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Economic or political conditions could lead to the revocation or variation of consent granted prior to investment being made in any country or to the imposition of new restrictions.

#### *Financial Markets and Regulatory Change*

Laws, rules and regulations continue to evolve in an unpredictable or predictable but inconsistent manner. Laws, rules and regulations, particularly those involving taxation, investment and trade, can change quickly and unpredictably, and may at any time be amended, modified, repealed, interpreted or replaced in a manner adverse to the interests of the adviser. We may through such activities be or may become subject to unduly burdensome and restrictive regulation. In particular, in response to significant recent events in international financial markets, governmental intervention and certain regulatory measures which have been or may be adopted in certain jurisdictions.

#### *Terrorist Risk, Hostilities and Pandemic Risk*

Acts of terrorist violence, political unrest, armed regional and international hostilities and international responses to these hostilities, natural disasters, including hurricanes or floods, global health risks or pandemics or the threat of or perceived potential for these events could have a negative impact on performance. These events could adversely affect levels of business activity and precipitate sudden significant changes in regional and global economic conditions and cycles. These events pose significant risks to people and physical facilities and operations around the world. This can have a material impact on the activities of businesses, their profitability and their ability to generate positive cash flow. In these market conditions there is a much higher risk of credit defaults and bankruptcies. As a result, this may have a material impact on the performance of an account. There is a possibility with the severe decline in economic activity and restrictions imposed, of disruption of electricity, other public utilities or network services, as well as system failures at facilities or otherwise.

### **Item 9 - Disciplinary Information**

We have nothing to report.

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

We are not registered with the SEC as a broker-dealer. We are not registered with the U.S. Commodity Futures Trading Commission (via the U.S. National Futures Association) as a commodity pool operator or a commodity trading adviser. We have a relationship with RMI Investment Managers (Pty) Ltd ("RMI"), and its subsidiary, RMI Investment Managers Affiliates 2 Proprietary Limited, owns 15% of us. Apart from this, we do not have affiliations with other third-party financial service firms. All third-party relationships are for contracted services only and no affiliation is created by way of these service agreements.

Mr Govender, Mrs Govender and Mr Ntshalintshali are directors of Perpetua Infrastructure (Pty) Ltd, a company that, through its subsidiaries, makes private infrastructure investments, and directors of these subsidiaries. The activities of this company and its subsidiaries are separate from ours and controls are in place to help ensure that no one associated with these companies would obtain Confidential Client

Information (as defined in our Code of Ethics, discussed in Item 11 below). This is a conflict of interest, and to address this we use controls to help ensure that none of them misuse our Confidential Client Information, restrict information at board of directors meetings, Risk Committee Meetings and monitor communications.

Andre Rousseau, the Chief Operating Officer, of RMI, sits on our Risk Committee. Ms de Swardt, also a director, is the CEO of RMI. The dual roles that Mr Rousseau and Ms de Swardt hold are conflicts of interest, and to address this we use controls to help ensure that neither has or has access to Confidential Client Information, restrict information at board of directors meetings, Risk Committee Meetings and monitor communications.

We manage assets for multiple clients simultaneously. To address this conflict of interest, we manage assets according to agreed investment objective and restrictions, record pre-trade allocations and confirm this post-trade and monitor compliance with this, monthly.

Certain of our Supervised Persons have outside activities and interest. These are conflicts of interest, and to address these we require disclosure pre-clearance, impose controls and conditions that are appropriate to the activity and require quarterly certification of compliance, which conditions may include recusal or cessation of such activity.

We simultaneously manage accounts that do not have and that have a performance fee. We address this conflict of interest in Item 6, above.

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

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

### **Ethical Standards**

Asset managers are fiduciaries and hold a unique place of trust in the lives of investors. We are a fiduciary and perform our responsibilities with honesty and integrity. This is critical to maintaining investors' trust and confidence and upholding the covenants of trust, loyalty, prudence and care.

We have adopted the CFA Institute Asset Manager Code of Professional Conduct.

We have adopted a Code of Conduct and Ethics Policy ("Ethics Code") designed to commit us and our Supervised Persons to high standards of ethical conduct. This establishes our core ethical values, ideals and principles. This is directional in nature in that it is specific in describing or forbidding specific behaviour. Our Ethics Code provides a practical guide to decision making and to commit us and our team to specific behaviour. We require Supervised Persons to exercise due care and skill and avoid or address conflicts of interest. In support of this, we have adopted and implemented policies and procedures to guide conduct and enforce compliance.

### **Conflicts of Interest**

To address (mitigate) conflicts of interest and for other control purposes, we have adopted and implemented a conflicts of interest policy to establish principles of conduct and to detect and address (mitigate) conflicts of interests. We maintain a Conflicts Log in which we record all material conflicts of interest and the means to address (mitigate) them. We review our Conflicts Log quarterly and as part of our annual review. If we discover that a conflict of interest is no longer relevant, we delete it; likewise, when we identify a new conflict of interest, we add it and the means

to address (mitigate) it to the Conflicts Log. If a conflict of interest arises and it is not possible to act, we disclose this to a client and do not act.

### ***Personal Account Trading***

To supplement our Ethics Code, we have adopted a Code of Ethics (“Code”) pursuant to Advisers Act Rule 204A-1. Under our Code, Supervised Persons (officers, directors and employees) must comply with the relevant laws, rules and regulations, including the U.S. federal securities laws and South African laws, and act with competence, dignity, integrity and in an ethical manner.

Recognising that we are a fiduciary and subject to controls in our Code, Access Persons (Supervised Person with Confidential Client Information, as defined in our Code) and certain others may receive clearance to purchase, sell and/or hold securities, including the same investments that are purchased, sold or held for client accounts. This is a conflict of interest and the controls in our Code and our monitoring and testing are intended to protect against the misuse of Confidential Client Information (trading or tipping) and prevent violations, or to detect and address them.

### ***Ethics Code and Code Compliance***

An additional benefit of our Code and the Ethics Code is to help provide a framework for detecting and preventing violations of securities laws. Our Code and the Ethics Code are distributed to each Supervised Person at the time of hire, when amended and annually thereafter. We supplement both with compliance training and on-going monitoring of employee activity.

Our codes address or require the following:

- receipt of each code and an acknowledgment of review and understanding of them;
- requirements related to the confidentiality of Confidential Client Information;
- controls on the acceptance of gifts and entertainment - reporting of all gifts and business entertainment and pre-clearance for those above a threshold;
- outside business activities;
- controls to govern (and prevent, when required) political contributions;
- pre-clearance of certain employee and firm transactions;
- reporting (initial, transactional and quarterly) of all personal securities transactions;
- reporting code violations; and
- on an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account to which they have a beneficial ownership.

We will provide you with a copy of our codes upon request.

## **Item 12 - Brokerage Practices**

### ***Client Trading***

We do not solicit or take U.S. client orders to buy or sell securities. We do not accept instructions from clients where to direct transactions.

### ***Research***

We generate our own research. We purchase research with our own funds to use for clients. We do not have any soft dollar arrangements in accordance with the safe harbour in Section 28(e) of the U.S. Securities Exchange Act of 1934.



## **Trading**

The universe of instruments for which we exercise discretion or provide advice and recommendations include equities e.g. shares in companies typically listed on an exchange, fixed income products e.g. government and corporate bonds, money market instruments e.g. cash deposits or other cash like instruments, units in collective investment schemes, funds, FX and derivatives of these instruments.

In exercising discretion and trading for clients, we consider within the parameters of the IMA the desirability of buying or selling certain securities and how the costs of implementing these decisions will affect the overall benefit to our client. In achieving this, we consider the following: client trading requirements; characteristics of the instruments; appropriate trading techniques, venues and agents; market conditions, such as degree of liquidity and volatility; protection of the interests of clients and the proprietary information of decisions we make; and monitoring results on a continual basis.

Only an authorised portfolio manager may place an order. Orders must be in writing. No verbal instructions will be accepted. Orders are captured by our implementations team, subject to pre-trade compliance checks. The order is then electronically sent to a dealer, who picks up the order on the trading system and allocates to a broker. The trade will be executed on a best execution best price basis with brokers that we have selected, in terms of its broker evaluation criteria. Filled orders (partially or in full) are allocated via market systems and electronic messages are sent to the custodian and broker.

## **Best Execution**

Best execution is the process by which we discharge our obligations to seek and, under relevant law, take sufficient steps to obtain the best possible result under the circumstances when executing transactions for our clients. In seeking to achieve best execution with respect to a particular order, we consider relevant execution factors including price, cost, speed, likelihood of execution and settlement, order size, nature of the transaction and any other consideration relevant to the execution of the transaction.

Under our pre-trade best execution guidelines, we select brokers and counterparties from our approved broker and counterparty list (following our selection policy, below), provide clear order term (limit, at the market), price, volume and benchmark instructions (VWAP or custom). We also to assess broker advertised flow (bids and offers) through the various approved electronic systems to identify a best possible match for an order.

Once orders are placed, we monitor execution for continued best execution performance via a series of benchmarks including interim VWAP, volume, market performance and other factors.

We use the following criteria for our post-trade cost analysis comparison of execution against order instructions, as applicable to the particular transaction; review of limit price or specific price as communicated; arrival price (price when the broker received the order); interim VWAP and interim volume and full trading day volume; and execution price.

## **Broker Selection and Allocation**

We are proudly South African and a majority Black-owned entity. While we are cognizant of the Broad-Based Black Economic Empowerment (“BB-BEE”) ownership requirements, we seek to ensure broader and more meaningful participation of brokers to achieve sustainable development and prosperity by rewarding those with genuine transformation within their enterprises. We consider a range of BB-BEE criteria that test the authenticity and sustainability of the transformation layers within brokers.

We select brokers with whom we trade and review them on a semi-annual basis. We allocate trades in accordance with the criteria listed above with respect to best execution, and below. Research analysts complete a comprehensive survey whereby they rank the research and trading aspects of the brokers, the outcomes of which are weighted at the board level (by the CIO). Asset classes and trade allocations for equities, fixed interest and derivatives are separately evaluated, monitored and allocated. Evaluation criteria include the following.

- Research + Sales (global and local): quality of research (breadth of universe coverage, quality of analysts, uniqueness of offering); research sales coverage; access to management; and quality of conference/event
- Trade and Support; Expertise/experience; execution performance; responsiveness; communication; accuracy; market timing ability; market impact ability; backup trader; and ability to find liquidity.
- BB-BEE criteria; ownership structures; management structures; salary costs; research and sales representatives; and trade and admin support.

The results of the evaluation criteria listed above with the weights allocated by us result in broker rankings. Allocations will occur as follows:

- BB-BEE Brokers are ranked, and the top-tiered brokers obtain a minimum of 40% of the allocation;
- Top-Tier brokers (other than BB-BEE brokers) obtain a maximum of 60% of the brokerage allocation.

### **Brokerage for Client Referrals**

We do not seek or receive an incentive from a broker or third party for client referrals.

### **Aggregation and Allocation**

When we propose to trade for more than one client or portfolio and believe that the purchase or sale is best handled on a collective basis, we aggregate client orders. This provides advantages, such as favourable execution. We record allocations prior to placing the order. We allocate trades fairly and on a *pro rata* basis, when and as possible, and do not favour or disfavour any client. Factors such as suitability, liquidity, cash and client-imposed restrictions are considered in the allocation process to determine which clients participate in an investment limited. If there is a partial fill, we allocate on a *pro rata* basis based upon the initial allocation. We do not permit post-trade changes to pre-trade allocations.

### **Trade Errors**

A trade error is an unintended action or omission in trading. Once a trade error is recognised, the person responsible for the error, or spotting it, must immediately notify the CCO and the Executive director. If it is possible to cancel the trade prior to settlement, we will strive to do this to minimise risk or financial loss. If it is not possible to cancel the trade, the transaction is reversed as soon as possible. If it is not possible or not prudent in the best interests of the client to reverse the trade immediately, the Executive director will determine whether the reversal of the trade should be delayed and what other course of action to take. In the event of a loss, we make the client whole. Gains accrue solely to a client. We do not compensate clients for lost opportunities that occur as the result of a trade error. We do not net gains with losses.

### **Item 13 - Review of Accounts**

We review accounts quarterly and when events occur (changes in market conditions, significant inflows or outflows, changes in circumstances) and discuss account performance with clients also quarterly.

### **Item 14 - Client Referrals and Other Compensation**

We do not have any client referral or solicitations arrangements.



## Item 15 - Custody

We do not have custody of client assets.

## Item 16 - Investment Discretion

For discretionary clients, we have authority to manage assets and select investments. This authority permits us to buy or sell investments and determine the amount to invest, without obtaining client consent. We comply with client-established investment objectives and restrictions, agreed in writing when an account is opened and updated from time to time.

We manage accounts on a non-discretionary/advisory basis. For these clients we provide research, advice and recommendations. Here, clients effect their own transactions.

## Item 17 - Voting Client Securities

We have a fiduciary duty to make investment decisions that are in our clients' best interests to maximize the value of their shares. Proxy voting is an integral part of what we do. We exercise this ownership right on behalf of our clients in investee companies through voting (directly or via proxy), non-control intervention and engagement, management of conflicts of interest and management of inside information.

At the outset of a client relationship, we document client investment objectives and restrictions not just for investments but for proxy voting. We disclose conflicts of interests and the means to address (mitigate) them and move forward with client consent (obtained in each client IMA). We record how a client does or does not wish us to vote and on the scope of voting arrangements. If a client instructs us not to vote, we refrain from doing this; if they instruct us to vote, we follow their directions.

We have implemented written policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act. This rule requires us to (i) adopt written policies and procedures reasonably designed to ensure that proxies with respect to securities in client accounts where we exercise voting discretion are voted in the best interests of our client, (ii) disclose how information may be obtained on how we vote proxies and (iii) maintain records relating to our proxy voting. We evaluate proposals and issues not covered by these policies and procedures, consider changes in policy and review this no less frequently than annually. In addition, we meet as necessary to address special situations.

Our proxy voting guidelines are principles-based rather than rules-based. We assess each proxy proposal considering these principles. Our proxy voting will always be based on what we view as most likely to maximize long-term shareholder value. We believe that authority and accountability for setting and executing corporate policies, goals and compensation generally should rest with the board of directors and senior management. In return, we support strong investor rights that allow shareholders to hold directors and management accountable if they fail to act in the best interests of shareholders. We review each proxy to ascertain how it affects social and environmental issues, as well as issues including management, auditors, auditing and accounting, company profitability and accountability, executive and director remuneration, shareholder rights, disclosure and corporate activities (buybacks, mergers, acquisitions, disposals, exchange offers, insolvency and the like).

Our proxy policy and its procedures provide for voting South African and non-South African securities and investments.

We use the services of proxy advisers/research providers. While we review the recommendations of such firms, in making proxy voting decisions we are in no way obligated to follow such recommendations. Our investment professionals make the decisions on the manner of voting that we believe will best protect our clients' interests. As a research-driven firm, we approach our proxy voting responsibilities with the same commitment to rigorous research and engagement that we

apply to all our investment activities, focused on the factors that are likely to affect company performance. Our bottom-up approach is well suited to making these recommendations.

Internally, we involve our Chief Investment Officer, ESG Cluster and the portfolio managers in whose portfolio a share is held. Externally, we may engage with company management, company directors, interest groups, shareholder activists, other shareholders and research providers. We take an engagement-first approach, emphasizing direct dialogue with companies on governance issues that have a material impact on financial performance. We generally prefer to engage in the first instance where we have concerns and give management time to address or resolve the issue. As a long-term investor, we are patient and persistent in working with our portfolio companies to have an open dialogue and develop mutual understanding of governance matters, to promote the adoption of best practices and to assess the merits of a company's approach to its governance.

Where we vote proxies, the following procedures apply.

- The portfolio manager will determine on a case-by-case basis what course of action is in the best interests of the client.
- The portfolio manager will ensure that they have:
  - a copy of the proxy materials or request for instructions received;
  - a copy of the instructions and any other documentation.
  - the portfolio manager will keep a record of why the proxy was being sought and why the decision was taken to vote or not vote.
- Copies of the proxy, with the decision to vote or not vote the proxy, are kept in the file that will be monitored.

We monitor compliance with this policy and address discrepancies as required.

For information on how proxies were voted, contact our CCO, details as noted above. Clients and prospects may obtain a copy of our proxy voting policies and procedures upon request.

## Item 18 - Financial Information

We have nothing to report.