

**BROCHURE OF**

**HOSKING PARTNERS LLP**

CRD# 173527

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March 30, 2021

**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF HOSKING PARTNERS LLP. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT THE CHIEF COMPLIANCE OFFICER AT +44 (0) 20 7004 7850 OR [COMPLIANCE@HOSKINGPARTNERS.COM](mailto:COMPLIANCE@HOSKINGPARTNERS.COM).**

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**ADDITIONAL INFORMATION ABOUT HOSKING PARTNERS LLP ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about the Firm.

### **Material Changes**

The previous amendment to this Brochure was filed on March 30, 2021. The following material changes are noted:

- No material changes made.

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## **ADVISORY BUSINESS**

**Hosking Partners LLP** (the “Firm”) was established in the United Kingdom on February 7, 2013 under the name of Seculum Asset Management LLP. The Firm’s name was changed to Hosking Partners LLP in August 2014. As at March 30, 2021, the partners of the Firm are Mr. Jeremy Hosking, Mr. James Seddon, Mr. Julius Mort, Mr. Luke Bridgeman, Mr. Django O’Connell Davidson, Mrs. Jenny Buchanan, Mrs. Emily Mansouri, Mr. Simon Hooper and Mr. James Batting.

The Firm is an investment management company focusing on investing predominantly in equity securities, such as but not limited to, common stocks, preferred stocks, convertible bonds, warrants, depositary receipts, exchange-traded funds and other securities which are convertible or exercisable into shares or which, in the opinion of the Firm, have equity characteristics such as income trusts.

The Firm provides investment management services to private fund clients, which in turn are offered exclusively to professional investors. The Firm provides investment management services to private funds such as qualified alternative investor funds (QAIFs) as well as investment advisory services to other pooled investment vehicles, government entities, pension and superannuation funds, and charities.

As of 31 December 2020, the Firm had regulatory assets under management of US\$8,332,892,850 on a discretionary basis.

## **FEES AND COMPENSATION**

### *Hosking Partners Collective Investment Trust*

The Hosking Partners Collective Investment Trust (the “Trust”) is a trust established under the laws of the State of Maine and is generally only available to eligible retirement, employee benefit or similar plans. Currently, the Firm charges management fees based on the aggregate net asset value of all Hosking Partners global equity pooled funds, of up to 0.275% per annum, with the Trust’s proportionate share of that fee allocated to the Trust and reflected in the net asset value of units in the Trust. Management Fees are charged monthly and are paid in arrears to the Firm by the Trust.

The Firm is also entitled to a performance fee which is calculated outside the Trust and, where payable, is invoiced in arrears on an annual basis and following any withdrawal from the Trust. Accordingly, the net asset value of units in the Trust will not reflect any accrual for or payment of performance fees.

For the purposes of the performance fee calculation, each subscription by each unitholder is treated as a different holding. The performance fee is calculated as of the dealing day at the end of the month in which the anniversary of the inception date for that holding falls or, if earlier, the dealing day on which the investor withdraws all or part of its investment in the Trust. The performance

fee is set at 20% of any “Outperformance” (i.e. the amount by which the return of an investor’s holding exceeds the return of the Benchmark) measured over the relevant period of calculation and multiplied by the average net asset value of the holding over that period, subject to pro rata adjustment for Performance Fees on withdrawals and transfers where the calculation period is shorter than five years.

#### *Hosking Partners Global Equity Fund*

The Hosking Partners Global Equity Fund (“HPGEF”) is a fund of the Hosking Partners Equity Funds LLC, a Delaware Limited Liability Company.

#### *Series A*

Currently, for Series A investors the Firm charges a management fee based on the aggregate net asset value of all Hosking Partners global equity pooled funds, up to 0.275% per annum, and HPGEF bears its proportionate share of that fee. Management Fees are paid monthly in arrears to the Firm by HPGEF.

In respect of Series A, the Firm is also entitled to an allocation of HPGEF’s performance (the “Performance Allocation”) which is calculated based on the performance of each contribution made by each investor to HPGEF. As Performance Allocations are calculated outside HPGEF, the value of an investor’s capital account will not reflect any accrual for Performance Allocations.

For the purposes of the Performance Allocation calculation, each contribution by each member is treated as a different and separate “holding”. The Performance Allocation is calculated as of the dealing day at the end of the month in which the anniversary of the inception date for that holding or, if earlier, the dealing day on which the investor withdraws all or part of its contribution or transfers it to a third party. The Performance Allocation is set at 20% of any Excess Return (i.e. the amount by which the return of an investor’s holding exceeds the Benchmark) measured over the relevant period of calculation and multiplied by the average value of that holding, subject to pro rata adjustment for Performance Allocations on withdrawals and transfers where the calculation period is shorter than five years.

#### *Hosking Partners Global Equity Trust (“HPGET”)*

HPGET is a trust domiciled in Australia, which is only available to Australian investors who are “wholesale clients” within the meaning of the Australian Corporations Act.

#### *Hosking Global Sub Fund No. 1 (“HGF”)*

HGF is a collective investment vehicle domiciled in Ireland. HGF is not currently available to US investors.

### *Separately Managed Accounts and other Pooled Investment Vehicles*

The Firm provides investment management services to SMA clients and other Pooled Investment Vehicles for a management fee based upon a percentage of the market value of the assets being managed by the Firm. The management fee is generally 0.3% per annum for the first \$250,000,000 of the market value of the assets under management and 0.275% per annum for assets under management above \$250,000,000. The Firm reserves the right, in its sole discretion, to charge a different management fee to any individual client.

The Firm's management fees are generally charged quarterly, in arrears, based upon the market value of the assets being managed by the Firm on the last business day of each month and clients are invoiced for fees due. If an account is terminated, the Firm's management fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate. The Firm reserves the right, in its sole discretion, to charge a lesser management fee to any individual client.

Regarding incentive fees associated with SMAs, the Firm receives a mutually agreed periodic performance fee which generally follows the following structure:

The Firm's standard performance fee (the "Performance Fees") is invoiced in arrears generally on an annual basis and whenever a withdrawal is made from the portfolio. Performance Fees are calculated separately for the first and each subsequent contribution to the portfolio, each contribution being treated as a separate "holding". The Performance Fee is calculated as of the anniversary of the inception date for the relevant holding or, if earlier, the day on which the investor withdraws all or part of that holding.

The Performance Fee is calculated as 20% of any Outperformance (i.e. the amount by which the return of an investor's holding exceeds the Benchmark return) measured over the relevant period of calculation, multiplied by the average value of the relevant holding over the same period, subject to a pro rata adjustment for a Performance Fee on a withdrawals where the calculation period is shorter than five years.

All clients incur third-party brokerage commission and other transaction costs, as explained in further detail in the **Brokerage Practices** section below. Additional third-party costs related mainly to custody, audit, administration, legal advice, tax advice and preparation, banking services, and research and consulting may also apply for Fund investors as relevant. In all cases, details concerning applicable fees and expenses are set forth in each respective client's investment management agreement and/or prospectus.

### **SIDE-BY-SIDE MANAGEMENT AND ALLOCATION POLICY**

Because the Firm has multiple investors/clients, at times it needs to allocate investment opportunities of limited availability across its clients' accounts. In such situations, some accounts offer higher management and performance-based fee potential than others. The Firm therefore has an incentive to favor accounts for which it receives higher performance-based fees since it could potentially receive a greater profit if the investment generates a positive return.

To ensure equitable treatment of all investor/clients irrespective of such fee considerations, the Firm has adopted an allocation policy that sets out the criteria for determining allocations, the most important of which are investment objective and strategy, existing portfolio composition and available liquidity. These arrangements are subject to regular compliance oversight through monitoring of actual allocations to verify that the allocations are in accordance with the Firm's allocation policy and no allocation decisions have been influenced by fee arrangements or other considerations. In addition, the performance of accounts within the same strategy is reviewed to verify that performance is consistent across accounts.

Where the Firm aggregates customer orders it does not give unfair preference to any client. Allocations are made in a manner that is equitable to all clients and in clients' best interests. Aggregated transactions are generally allocated at the average price paid per unit allocated (taking into account all relevant fees and commissions) on a pro rata basis. A record is made of the intended basis of allocation before the transaction.

Where a trade is only partially executed, it is possible that a pro rate allocation will not achieve the best result for clients given the small size of the resulting allocation. If this is considered potentially to be the case, the Firm's dealer assesses whether a pro-rata allocation is in the clients' best interests. Where it is decided that a pro-rata allocation is not in the clients' best interests, the Dealing Team may utilize the portfolio management system's "Random by Account" allocation functionality which will automatically allocate the transaction to a client(s) on an indiscriminate basis.

The Firm does not execute internal cross trades for its clients. Subject to any client or regulatory restrictions, the Firm may carry out "cross" transactions (for example to manage flows and for rebalancing trades) between clients via a third-party broker. All cross transactions must be in the best interests of its clients and meet the Firm's best execution obligations. Cross transactions will always be executed on an arms-length basis via a third party broker at prevailing market rates and are normally executed at reduced broker commission rates.

In the course of managing investments for its client, circumstances can arise in which the Firm is potentially subject to conflicts of interests between the Firm and its clients and between different clients of the Firm. The situations in which a conflict of interest can arise include:

- Where the Firm executes trades for more than one client, including aggregated trades and cross transactions;
- Where the Firm places orders with brokers under the influence of favorable fees or commission rates or other benefits (such as broker hospitality);

- Where the Firm makes a trading error;
- Where a member or employee of the Firm places a personal trade ahead of a client transaction or has an outside interest which may conflict with the interests of the Firm and/or its clients;
- Where the Firm's remuneration or the remuneration arrangements for a member or employee of the Firm encourages behavior which is not in the interests of clients;
- Where the Firm is required to provide valuations of certain investments which could influence the performance track record and fees paid to the Firm;
- Where the Firm is required to exercise voting rights on behalf of clients;
- Conflicts arising where clients invest via a pooled fund (such as liquidity terms and preferential treatment) or where clients with differing fee arrangements are managed "side by side".
- Conflicts arising when the Firm makes an investment on behalf of a client into a pooled fund for which the Firm acts as the investment adviser.

The Firm has put in place policies and procedures to prevent such situations arising and/or to manage any conflicts of interest which arise in the course of its business, including the procedures under its Conflicts of Interest policy, Best Execution and Aggregation and Allocation Policies, Gifts & Entertainment Policy, Trade Error Policy, Remuneration Policy, Voting Strategy Policy and Personal Account Dealing Policy. Where the Firm considers there are no other means of managing a conflict or where the measures in place do not sufficiently protect a client's interests, the specific conflict will be disclosed in writing to enable the client to make an informed decision whether to continue with the Firm's services in that particular situation.

A copy of our Conflicts of Interest Policy is available to all clients and investors from the CCO upon request.

## **TYPES OF CLIENTS**

As discussed in the **Advisory Business** section above, the Firm provides investment management services to private fund clients, which in turn are offered exclusively to professional investors. The Firm also offers investment management services to institutional clients on a discretionary basis through SMAs. Although the Firm generally seeks minimum account commitments from its private fund clients of US\$ 25 million, it can waive such minimums in its discretion. Minimum commitments for SMAs are negotiated with clients but the Firm generally seeks a minimum commitment of US\$ 200 Million.

The SMA client base comprises government entities, pension and superannuation funds, and charities. The Firm also acts as adviser to a number of pooled investment vehicles.

## **INVESTMENT STRATEGIES AND RISK OF LOSS**



The Firm focuses on publicly traded equities and equity-type securities primarily traded in the global markets. The Firm strategy is to seek investment opportunities created by changing competitive dynamics and by the (often irrational) behavior of market participants. To identify such opportunities, the investment team employs proprietary models, accessing certain public databases, monitors a wide variety of sources including industry contacts, trade and financial publications, trade shows, and published market share studies, as well as investment conferences and brokerage-generated research.

Each strategy employed by the Firm has its own set of risks, but in all cases, the Firm's strategies involve a risk of loss that clients should understand and be prepared to bear. Material risks relating to the investment strategies and investments include the following:

#### *Valuation Risk*

The Firm is able to invest a significant proportion of assets in securities, which are either unlisted or have been de-listed or have had their trading or listing suspended or which are otherwise thinly traded. As a result, it is not always possible to obtain a reliable valuation for such assets or to obtain a valuation from an independent third party. Any discrepancy between the valuation applied to such securities and the value which those securities could realize, will impact the value of the client's holdings and the remuneration of the Firm, whose remuneration is based on the client's holdings and its investment performance.

#### *Litigation Risk*

HPGEF, the Trust, the Firm and/or any of its directors or officers are subject to the risk of litigation, the consequences of which, including fees and expenses as well as impact of the value of the HPGEF, the Trust or SMAs, are difficult to gauge.

#### *Significant Fees and Expenses*

HPGEF or the Trust may be subject to significant additional unforeseen expenses, outlined in the prospectus or offering memorandum, which must be borne by HPGEF or the Trust. Fees and expenses for SMAs will be negotiated with such clients.

#### *Lack of Registration*

The shares and units of HPGEF and the Trust have not been registered under the US Securities Act nor under the securities laws of any state and therefore are subject to transfer restrictions.

#### *Tax Risk*

The tax aspects of an investment in HPGEF and the Trust are complicated and each investor should have these reviewed by their professional advisers familiar with the investor's tax situation and with the applicable tax laws and regulations.

#### *Interest Rate Risk*

Interest rate risk is risk to the earnings or market value of a portfolio due to uncertain future interest rates. Interest can go up or down and may not work in your favor. Generally, bonds and securities

are exposed to this risk. When you invest in securities and bonds, it is important to be aware that of this risk to enable you to take appropriate action should future interest rates not be in your favor.

#### *Counterparty, Settlement and Credit Risk*

Credit risk is the risk of loss caused by the failure of a counterparty to meet its obligations. For example, HPGEF, the Trust and/or SMAs are exposed to the risk of default such as the failure to pay coupons or principal of a bond, the failure by the issuer of a participatory note to perform its obligations when due under the terms of the participatory note, or the insolvency of a distressed debt issuer. Another type of credit risk is the risk of settlement failure, that is, the failure of a counterparty to deliver or pay for securities.

HPGEF, the Trust and/or SMAs also may be exposed to the credit risk of the counterparties (including OTC derivative and swap counterparties and the issuers of participatory notes and other synthetic securities and investments) or the brokers and dealers and exchanges through which, it deals, whether it engages in exchange-traded or off-exchange transactions. HPGEF, the Trust and/or SMAs may be subject to risk of loss of its assets (including margin and collateral) held by a broker or counterparty in the event of the broker's or counterparty's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on their behalf, or the bankruptcy of an exchange clearing house. In relation to the settlement of securities transactions, the risk will be mitigated by the fact that transactions entered into on behalf of HPGEF, the Trust and/or SMAs are usually on a delivery versus payment basis. However, settlement in some countries may not be on a delivery versus payment basis.

#### *Custody Risk*

The Firm makes investment on behalf of its clients in certain jurisdictions that carry a perceived risk of asset loss, for example, from the legal and regulatory environment, market infrastructure, and operational risks including currency regulations. Countries currently considered higher risk include Turkey, Cyprus and Russian Federation.

#### *Market Risk*

Substantial risks are involved in investing in the various securities and instruments the Firm purchases and sells on behalf of its clients. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. Investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of equity securities and related instruments, and there can be no assurance that appreciation will occur.

#### *Volatility Risk*

The prices of securities in which the Firm may invest on behalf of its clients can be highly volatile. Price movements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events and policies.

#### *Strategy Risk*

There is no guarantee that the strategy that the Firm follows will prove successful. The investment opportunities that the Firm seeks to exploit may in time become limited making the pursuance of this strategy either impractical or uneconomical.

#### *Undervalued Securities*

The Firm may invest in securities on behalf of its clients that it considers to be undervalued. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognized. While investments in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from investments may not adequately compensate for the business and financial risks assumed.

The Firm may make certain speculative investments in securities which it believes to be undervalued; however, there can be no assurance that the securities purchased will in fact be undervalued. In addition, clients may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a client's capital would be committed to the securities purchased, thus possibly preventing investment in other opportunities. In addition, if such purchases are financed with borrowed funds clients would have to pay interest on such funds during such waiting period.

#### *Illiquid Investments*

Clients' assets may include a significant proportion of securities and other financial instruments or obligations, for which no market exists and/or which are, restricted as to their transferability and/or are unlisted or thinly traded. As a result a client's ability to acquire or dispose of such investments at a price and time which the Firm deems advantageous, may be impaired and the sale of any such investments may be possible only at substantial discounts.

As a result, clients may be prevented from liquidating unfavorable positions promptly, which may subject them to substantial losses.

For HPGEF and the Trust, this in turn could also impair their ability to distribute redemption proceeds to a redeeming Shareholder or Unitholder in a timely manner.

#### *Leverage*

The Firm does not borrow on behalf of its clients for investment purposes, though it has the authority to borrow cash for liquidity purposes on behalf of HPGEF, the Trust and/or SMAs. The Firm has the authority to utilize derivatives such as contracts for difference ("CFDs") to obtain exposure to markets where direct ownership by foreign investors is uneconomical or is otherwise restricted. Some of these techniques or instruments may involve some inherent leverage which entails certain additional risks. For example, to the extent that the Trust or HPGEF utilize margined contracts such as CFDS they could be subject to a "margin call" and need to deposit additional funds with the broker or suffer mandatory liquidation of its margin to compensate for the decline in value. In the event of a sudden drop in the value of the HPGEF's or the Trust's assets, they might not be able to liquidate assets quickly enough to pay off the margin debt. In addition,

leveraged investment increases the loss to investors of any depreciation in value of investments (while potentially increasing any gains). Low margin deposits mean that a relatively small price movement in a margined contract may result in immediate and substantial losses. Similar risks may pertain to SMAs.

#### *Currency Risk*

The base currency of HPGEF and the Trust is US dollars and a significant proportion of their assets are invested in securities denominated in currencies other than US dollars and any income received by HPGEF or the Trust from its investments is received in the currencies of such investments, some of which may fall in value against the US dollar. HPGEF and the Trust compute their Net Asset Value and make any distributions in US dollars (which is the currency of the denomination of the shares) while HPGEF and the Trust may, from time to time, engage in forward foreign exchange transactions to provide protection against exchange-rate risk, there is no guarantee that such hedging may take place or that any hedging will achieve this objective and consequently there is a currency exchange risk which may affect the value of the Shares. Similar risks would apply to SMAs where assets are held in the portfolio that are denominated in a different currency to the base currency.

#### *IT and Cyber Risk*

The greater prevalence of telecommunication such as the Internet and information technology to conduct business means that the Firm and its clients are increasingly vulnerable to operational, information security and related risks through breaches in cyber security. Cyber incidents can arise from deliberate attacks or unintentional events and can include, but are not limited to, gaining unauthorized access to IT systems, misappropriating assets or sensitive information, loss of proprietary information, corruption of data, or operational disruption. A cyber incident could result in the Firm and/or its clients incurring regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss.

Cyber security breaches may involve unauthorized access to the digital information systems that support a client's account (e.g., through "hacking" or malicious software coding), but may also stem from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to the intended / authorized users). In addition, cyber security breaches of third party service providers that provide services to the Firm and/or its clients (e.g., administrators, custodians and delegated services) or issuers in which a client holds an investment may also result in the Firm and/or its clients being subject to many of the same risks associated with direct cyber security breaches.

In line with other operational risks, the Firm has established risk management systems and controls, including phishing and penetration testing as well as staff training as part of its business continuity and operational arrangements that are designed to reduce the risks associated with cyber security including encryption of data, use of passwords, restrictions on remote access, firewall and malware protection as well as ensuring that employees are aware of cyber security risks. However, there is no guarantee that such systems will be effective, in particular where the Firm has no direct control over the cyber security systems in question (e.g. administrators, custodians, issuers or third party service providers.)

### *Dependence on Key Persons*

The successful implementation of the Firm's investment program depends to a large degree on the skill and acumen of the Firm, its members, officers and employees. If the Firm were unable to attract and retain suitable staff or such resources became unavailable this could have an adverse impact on the performance of client portfolios.

### *Political and / or Regulatory (including Financial Crime) Risks*

The value of clients' assets may be affected adversely by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions in foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments may be made.

The Firm also may make investments in countries considered as high risk in respect of money laundering or terrorist financing including countries on the European Commission blacklist which could adversely affect the value of such investments.

### *Sanctions Risk*

HPGEF, the Trust or SMA portfolios may hold securities of Issuers that are subject to sanctions such as the non-SDN financial sanctions imposed by the US Department of the Treasury. Whilst the securities held will not be subject to non-SDN financial or SDN sanctions, there is a risk that this position could change as a result of new sanctions being introduced by the Office of Foreign Assets Control (OFAC) or other governmental agencies. The imposition of such sanctions could prevent the Firm from trading or settling transactions in such securities and could have a significant negative impact on the value of the security.

### *COVID-19*

In March 2020, the World Health Organisation declared COVID 19 a pandemic. COVID 19 may continue to result in a period of economic decline globally as countries restrict the movement of people and limit or close down certain non-essential businesses, operations and services in order to contain the pandemic. Such measures are likely to affect the prospects of businesses worldwide and may lead to increased levels of business failure, insolvency and credit default. In addition, the introduction of these measures and uncertainty regarding their likely duration may continue to result in increased volatility in currency and security markets and declines in the value of securities globally. Credit, counterparty and currency risk also is likely to increase. As a result COVID-19 may continue to have a significant adverse impact on the value of the investments of HPGEF and the Trust and the ability of the Firm to access markets and implement its investment policy in the manner originally contemplated.

Government interventions or other limitations or bans introduced by regulatory authorities or exchanges and trading venues as temporary measures in light of significant market volatility may lead to limited liquidity and temporary or longer term suspensions of trading, which may also negatively impact on the Firm's ability to implement its investment policy and the ability to value underlying investments of HPGEF and the Trust. The Firm's access to liquidity could also be

impaired in circumstances where the need for liquidity to meet redemption requests which may rise significantly as a result of the impacts of COVID-19.

The effects of COVID-19 could also restrict, limit or interrupt the operations of third party service providers, whose services are required for the operation of the Firm and its pooled funds, including the trading securities.

#### *Brexit*

As of 31 January 2020, the UK is no longer part of the European Union. The exit of the UK could cause an extended period of uncertainty and market volatility, not just in the UK but throughout the European Union, the European Economic Area and globally. The exit of the United Kingdom from the European Union could have a material impact on its economy and the future growth of that economy, impacting adversely on the Fund's investments in the United Kingdom. It could also result in prolonged uncertainty regarding aspects of the U.K. economy and damage customers' and investors' confidence. Any of these events, as well as an exit or expulsion of a Member State other than the United Kingdom from the European Union, could have a material adverse effect on the volatility of securities markets and currency exchange rates which in turn may adversely affect the financial condition, results of operations and prospects of the Firm and investments. See also "Market Risk", "Volatility Risk" and "Currency Risk".

#### *Investing in China A Shares via the Stock Connect Scheme*

The Firm may invest in China A shares through the Shanghai Hong Kong Stock Connect scheme, or the Shenzhen Hong Kong Stock Connect scheme (the "Stock Connect Scheme"). Investing in China A securities via the Stock Connect Scheme ("Stock Connect Securities") involves a number of risks traditionally associated with investing in the People's Republic of China ("PRC"), including without limitation greater price volatility, less developed regulatory and legal framework, political risk, currency risk and risks relating to the difficulties of valuing companies listed on SSE or SZSE. In addition to these risks, there are specific features of the Stock Connect Scheme which carry specific, potential risks.

While the relevant measures and rules relating to the Stock Connect Scheme generally provide for the concept of a "nominee holder" and recognize the investors as the "beneficial owners" of the Stock Connect Securities, the precise nature and rights of an investor as the beneficial owner of Stock Connect Securities through Hong Kong Securities Clearing Company Limited ("HKSCC") as nominee is less well defined under PRC law, which lacks a clear definition of, and distinction between, "legal ownership" and "beneficial ownership. In addition, HKSCC does not guarantee the title to any Stock Connect Securities held through it.

In the event of a default, insolvency or bankruptcy of a custodian, sub-custodian or broker, the Firm's clients may be delayed or prevented from recovering its assets from the custodian or broker, or its estate, and may have only a general unsecured claim against the custodian or broker for those assets. In addition, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong there is a risk that the Stock Connect Securities may not be regarded as held for the beneficial ownership of the Firm's clients or as part of the general assets of HKSCC available for general distribution to its creditors.

The Stock Connect Scheme is subject to quota limitations, which may restrict the Firm's ability to invest in, or dispose of, Stock Connect Securities through the Stock Connect Scheme on a timely basis and as a result, the Firm's ability to access the China A-Shares market (and hence to pursue its investment strategy) may be adversely affected.

Due to the reduced settlement cycle and time differences between China and Europe, there is an increased risk of trade errors and that discrepancies in trade instructions may not be spotted in a timely manner.

Under the rules governing the Stock Connect Scheme, investors are required to ensure that they always hold sufficient cash and/or securities to settle trades. In the event that an order from the Firm fails to satisfy the pre-trade checks, there is a risk that client orders will be rejected with consequent loss of opportunity and market risk (i.e. the risk that the re-submitted order may be completed at a less favourable price). In the remote event of any settlement default by HKSCC, and/or a failure by HKSCC to designate securities or sufficient securities in an amount equal to the default such that there is a shortfall of securities to settle any securities trades, China Securities Depository and Clearing Corporation Limited ("ChinaClear") may deduct the amount of that shortfall from HKSCC's omnibus account with ChinaClear, such that the investors (including the Firm's clients) may share in any such shortfall.

China A shares may cease to be eligible for trading through the Stock Connect Scheme from time to time and as a result the relevant China A shares may be sold but may no longer be purchased through the Stock Connect Scheme. In addition, trading may be suspended to ensure an orderly and fair market. In such circumstances, the Firm's ability to access the mainland China market via the Stock Connect Scheme could be adversely affected.

The Stock Connect Scheme will only operate on days when both mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. It is possible that client portfolios could be exposed to risk of price fluctuations in China A shares (for example, following a company announcement) when the relevant PRC market is open but the Stock Connect Scheme is not operating.

There can be no assurance that an active trading market for such Stock Connect Securities will develop or be maintained. If spreads on Stock Connect Securities are wide, this (together with any quota restrictions applicable at the time) may adversely affect the Firm's ability to dispose of such securities at the desired price. If the Firm needs to sell Stock Connect Securities at a time when no active market for them exists, the price it receives for its Stock Connect Securities - assuming it is able to sell them - is likely to be lower than the price received if an active market did exist, and thus the performance of client portfolios may be adversely affected depending on the size of investment in Stock Connect Securities.

#### *Performance Fee*

Many of the Firm's clients remunerate the Firm by way of a performance fee based on the performance of client portfolios (including net realized and unrealized gains and losses). As a result, performance fees may be paid on unrealized gains which may subsequently never be realized. In addition, performance fees may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case if there was no performance fee in place.

### *Emerging and Frontier Markets*

The Firm invests in emerging and frontier markets, which involve additional risks, including risks of failed or delayed settlement of securities transactions and risks arising from the local practices relating to the registration and custody of securities which may mean that client assets are not effectively segregated from the assets of the entity holding such investments and may expose clients to the credit and counterparty risk of the sub-custodian, broker or other agent or nominee, in whose names such assets are recorded. In addition, companies in emerging markets may not be subject to as rigorous a level of disclosure, regulatory, accounting, auditing and financial reporting standards or the same level of government supervision and regulation as in more developed markets. The standards of corporate governance applicable to companies in certain emerging and frontier markets may not be as stringent or as comprehensive as the corporate governance rules in developed markets. Investors in companies in emerging and frontier markets may experience difficulties in enforcing their rights and protecting their investment or such enforcement may be arbitrary and unpredictable. Government involvement in the economy may adversely affect the value of investments in certain emerging markets and the risk of political instability may be high. The reliability of trading and settlement systems and a lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging and frontier markets may mean that the Firm may experience difficulty in purchasing or selling securities in such markets.

### *Use of Participatory Notes and other Synthetic Securities and Investments*

The Firm may make use of participatory notes and other synthetic securities to obtain exposure to a market or an equity investment in a local market where direct ownership is uneconomic or is otherwise restricted. Participatory notes and other synthetic securities and investments involve additional risks, including risk that the issuer of such instruments may default in the performance of its obligations including making any payments due to the Firm's clients, the risk that clients will not have the benefit of the rights which a holder of the security would have (including voting rights), and the risk that the trading price or value of a participatory note or other synthetic security or investment will not reflect the value of the underlying equity security and/or the return on participatory notes and other of synthetic securities and investments will be reduced by the fees payable to the issuer.

### *Other Risks*

In addition to the above, please see the applicable offering documents of HPGEF and the Trust (and the other funds managed by the Firm) for additional risk disclosure, within the section headed 'Risk Factors'. This will cover risks specific to a particular account such as: concentration of investments; derivatives; smaller companies; commodities; ratings criteria and debt securities.

## **DISCIPLINARY INFORMATION**

The Firm does not believe that any of the Firm, or any of the partners, officers or employees of the Firm, have been involved in any legal or regulatory action, or other disciplinary event that is



material to an investor's or prospective investor's evaluation of the advisory business or management of the Firm.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Firm has no existing or pending affiliations with a broker-dealer or a registered representative of a broker-dealer. The Firm has no existing or pending affiliations with a Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), or Commodity Trading Advisor (CTA).

## **CODE OF ETHICS, PARTICIPATING OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING POLICIES**

The Firm maintains a Code of Ethics, which sets forth high ethical standards of business conduct required of all employees including compliance with all applicable laws. The Code of Ethics prohibits employees from engaging in "insider trading", includes restrictions and reporting obligations for employees when giving or receiving gifts and requires reporting of outside business activities. The Code of Ethics includes policies regarding the trading of securities in personal brokerage or similar accounts by its principals and employees. The Code of Ethics does not restrict the Firm principals, members and employees from maintaining or trading in such accounts, but establishes that any activity that either abuses confidential knowledge about client accounts or attempts to profit at their expense is considered an abuse of the foundation of trust and the fiduciary duty upon which the Firm's business is built and is strictly prohibited. All the Firm partners, members and employees must obtain prior approval for personal transactions from Compliance and are required to submit annual reports on all securities holdings and quarterly reports on all security transactions in accounts controlled either directly or indirectly (although certain exceptions apply). The Firm's procedures also stipulate a minimum holding period of 60 days for personal holdings (where such holdings are also held in the Firm's client portfolios). Submitted reports are reviewed by the Chief Compliance Officer, or his delegate. The Firm's Code of Ethics and related policies prohibit employees from carrying out any personal or other trading that would constitute insider trading or other forms of market abuse. Violations of policy are punishable by sanctions including fines and termination of employment. A copy of the Code of Ethics is available to clients and prospective clients upon request.

The Firm operates a gifts and entertainment policy which requires prior approval from Compliance for all gifts and entertainment that exceeds a value of £50 (approx. \$65). Staff are prohibited from accepting cash or cash equivalent gifts in any amount. Staff are generally prohibited from accepting invitations to corporate hospitality and sporting events when offered by brokers or other counterparties unless paid for personally.

It is recognized that partners, members and employees' outside interests (such as external directorships) can lead to potential conflicts of interests and therefore the Firm requires that all such outside interests are subject to prior approval. A register of Outside Interests is maintained by Compliance.

## **BROKERAGE PRACTICES**

The Firm has discretion over the selection of brokers used for securities transactions in its private fund clients' accounts, and may have similar discretion for the accounts of its institutional clients managed on a separate account basis. Where the Firm has such discretion, its selection of brokers will take into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the Firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available brokerage and research products and services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the other selection criteria.

## **SOFT DOLLAR BENEFITS**

The term "soft dollars" refers to the receipt by an investment manager or adviser of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients.

Since 3 January 2018, the Firm ceased utilizing soft dollars for the purchase of independent research. All research is paid for directly by the Firm and such charges are not passed on to the Firm's investors/clients.

## **REVIEW OF ACCOUNTS**

Client accounts are reviewed by their respective portfolio managers, as well as the Firm's risk function and the Chief Compliance Officer or his delegate on a daily, monthly or a quarterly basis, depending on activity in the account and the frequency of client reporting. Investors in the Firm's private funds receive written statements containing individual net asset values on a monthly or quarterly basis, either from the Firm directly or from the client's or the funds' independent fund administrator, as set forth in the terms of the relevant private placement memorandum, offering memorandum or prospectus. Clients with SMAs are provided with written reports of net asset values and account activity in accordance with their reporting requirements as well as generally upon request.

## **CLIENT REFERRALS**

The Firm does not currently but may enter into arrangements with unaffiliated third parties whereby compensation is paid for referring clients or investors to the Firm's funds. Generally, these payments would be based on a percentage of management fees, performance-based fees, or some combination thereof, earned by the Firm with respect to such client or investor. Because such

arrangements contain inherent conflicts of interests between the referring party, on the one hand, and the client, on the other, the Firm requires documentation that these conflicts have been disclosed and consented to by clients.

## **CUSTODY**

Investments and cash of the Firm's clients are held by third-party custodians. Actual custody of client assets is at a broker-dealer, bank or other qualified custodian. Clients should carefully review all account statements and compare those received from the Firm with those received directly from its designated administrators or client custodians.

It is theoretically possible that the Firm could be deemed to have custody of U.S. Private Fund client assets in certain circumstances. As a result, the Firm has decided to comply with the requirements of the Custody Rule in respect of HPGEF.

The annual report of the HPGEF, incorporating audited financial statements in respect of the HPGEF, are distributed to investors within 120 days of HPGEF's financial year-end. The financial statements of the HPGEF are maintained in US dollars and prepared in accordance with US Generally Accepted Accounting Principles.

## **INVESTMENT DISCRETION**

As an investment adviser, the Firm generally has discretionary authority over clients' accounts to determine securities bought and sold and in what quantities, the amount of leverage employed, the broker-dealer used and the commission rates to pay, among other things. Investment management agreements are negotiated with each client and typically the specific terms of the scope of such investment discretion and any restrictions are detailed in the relevant account's investment guidelines which form part of the investment management agreement, offering memorandum or prospectus. The Firm will not commence management of an account without an executed investment management agreement and investment guidelines.

These investment guidelines are established with each of the Firm's clients, stipulating various limits governing the management of each portfolio, including eligible securities and maximum exposures. Within these guidelines, the Firm is able to execute trades without further authority. Trades are placed with those brokers or other financial institutions which are approved as eligible Brokers/Counterparties and which, in the Firm's judgment, offer the most favorable terms for its clients.

## **PROXY VOTING POLICY**

The Firm has adopted a written proxy voting policy and procedures that are guided by its fiduciary responsibilities and commits its principals and employees to vote in a manner which is believed to do the most to maximize shareholder value and to never prioritize unrelated objectives.

The Firm entered into a proxy voting service agreement (the “ISS Agreement”) with Institutional Shareholder Services Inc. (“ISS”). ISS is a provider of corporate governance solutions for asset owners, investment managers, and asset service providers. ISS’ solutions include objective governance research and recommendations and end-to-end proxy voting and distribution solutions. The Firm has subscribed to the ‘Implied Consent’ service feature under the ISS Agreement to determine when and how ISS Governance Services executes ballots on behalf of HPGEF, the Trust and SMAs. This service allows ISS to execute ballots on the funds and SMA Clients’ (where the Firm has been authorized by the client to give instructions on the exercise of votes) behalf in accordance with the ISS vote recommendations. However, the Firm retains the right to override the vote if it disagrees with the ISS vote recommendation by using the ISS ProxyExchange platform to communicate override instructions to ISS. In practice, ISS notifies the Firm of upcoming proxy voting and makes available the research material produced by ISS in relation to the proxies. The Firm then decides whether or not to override any of ISS’s recommendations.

If a client chooses not to authorize the Firm to give instructions on the exercise of proxy voting, the right to vote securities is retained by the client or other designated person. In such situations, the client will generally receive proxies or other actions directly from the custodian or transfer agent. Clients should contact the Firm if they have a question on a particular proxy voting matter or action; however, the Firm will not recommend how to vote where the Firm does not have authority to do so.

During the proxy voting process, the Firm may be confronted with conflicts of interest. The Firm has developed adequate and effective strategies for determining when and how any voting rights are to be exercised, to the exclusive benefit of the HPGEF, the Trust and their respective investors, other pooled investment vehicles and SMAs. The Firm ensures that all potential and actual conflicts are identified, evaluated, managed, monitored and recorded. It is the Firm’s policy and duty to act in the best interests of its clients. Should a conflict of interest arise, the Firm’s Management Committee would take appropriate steps to ensure fair treatment, including disclosure of the conflict to the affected clients, if required. The Management Committee of the Firm approves the Voting Policy and the Firm makes the Voting Policy available to investors in HPGEF and the Trust and SMAs upon request.

Where, in relation to a particular proposed vote, a potential conflict of interest is identified, it is notified to the Management Committee prior to the vote taking place. The Management Committee makes the final voting decision.

The Firm’s investment strategy is founded on a multi-counsellor approach with each portfolio manager essentially operating on an autonomous basis. The decision as to whether to follow the ISS recommendation or to override such recommendation is ultimately taken by the individual portfolio manager(s) who hold the position. In circumstances where more than one portfolio manager holds the stock in question, it is feasible, under this multi-counsellor approach, that the portfolio managers will have divergent views on the proxy vote in question and can vote their portion of the total holding differently.

The Firm maintains records of all proxies voted. Proxy votes are reviewed periodically as part of the monitoring program for adherence to this policy. A copy of the Firm's proxy voting policy is available upon request of the Chief Compliance Officer. Clients can also obtain details of how proxy were voted on their behalf from the Chief Compliance Officer.

As required under the UK Financial Conduct Authority (FCA) rules, the Firm has issued a Statement of Compliance with the UK Stewardship Code which is available on the UK website: <http://www.hoskingpartners.com>.

## **FINANCIAL INFORMATION**

The Firm does not require or solicit prepayment of management fees in advance. The Firm has no financial condition to disclose that is reasonably likely to impair its ability to meet contractual commitments to its clients. Additionally, the Firm has not been the subject of a bankruptcy petition during the past ten years.

For questions or requests for additional information, please contact the Chief Compliance Officer at the number or address listed on the cover of this brochure.