

# First Sentier Investors (Australia) IM Ltd

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Form ADV Part 2A  
– The Brochure

A Guide to Our Services

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## Item 1: Cover Page

This brochure provides information about the qualifications and business practices of First Sentier Investors (Australia) IM Ltd ABN 89 114 194 311 (“**FSI AIM**”).

The information in this brochure has not been approved or verified by The United States Securities and Exchange Commission (“**SEC**”) or by any State securities authority.

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

If you have any questions about the contents of this brochure, please contact us on +61 2 9010 5200 or (emma.tetley@firstsentier.com).

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

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## Item 2: Material Changes

Stewart Investors has been added to the key strategies outlined under *Item 8- Methods of Analysis, Investment Strategies and Risk of Loss*.

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## Item 4: Advisory Business Overview

First Sentier Investors (Australia) IM Ltd (“**FSI AIM**”) ABN 89 114 194 311 is part of First Sentier Investors (“**FSI**”) a global asset management business. FSI AIM is 100% owned by Mitsubishi UFJ Trust and Banking Corporation (“**MUTB**”) and ultimately 100% owned by Mitsubishi UFJ Financial Group, Inc. (“**MUFG**”).

First Sentier Investors is one of the largest investment managers in Australia with US\$176.6bn funds under management as at 31 December 2020 and 234 investment focussed employees located in offices in Sydney, New York, London, Edinburgh, Dublin, Paris, Singapore, Frankfurt, Tokyo and Hong Kong.

In Australia, FSI AIM is the holder of an Australian Financial Services Licence (AFSL 289017) issued by the Australian Securities and Investments Commission.

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

The guidelines typically describe the investment parameters and types of securities that are eligible for (or prohibited from) the account.

FSI AIM also provides non-discretionary investment management services as a subadvisor to investment advisors that seek advice through the provision of model portfolios. These model portfolios are used by the investment advisor to manage their client accounts. The timing and nature of services provided by FSI AIM with respect to model portfolios are defined separately in the service agreements with relevant investment advisors as the parties see fit in each case and as a result may differ between the agreements, as well as between non-discretionary and discretionary service arrangements. Notwithstanding these differences, FSI AIM has conflicts of management procedures in place to ensure all client interests under relevant agreements are treated equitably and fairly.

FSI AIM does not participate in any wrap fee programs or act as a custodian.

As of 31 December 2020, FSI AIM's assets under management were as follows:

<b>Discretionary:</b>	US \$100,560,348,374
<b><u>Non-Discretionary:</u></b>	<u>Nil</u>
<b>Total:</b>	<b>US \$100,560,348,374</b>

This includes assets where we have sub-delegated discretion to an affiliate and assets where an affiliated manager has delegated authority to FSI AIM. Therefore, certain of the assets will also be included in the AuM reported by our affiliated managers.

## Management Services

Each client account is designed to meet a particular investment goal. Through discussions with the client, the client's goals and objectives are established. Once the account has been funded, it will be managed in accordance with the objectives, investment guidelines and restrictions. The client retains ownership of the securities which comprise the account or appoints a third party custodian to retain ownership of the securities which comprise the account on their behalf.

## Item 5: Fees and Compensation

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

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

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

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

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

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

### Performance Fees

In certain instances as described above, FSI AIM or an affiliate will be compensated under performance-based fee arrangements. All such compensation will be in compliance with Rule 205-3 of the rules and regulations promulgated by the SEC under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"). Whilst FSI AIM receives performance based fees, no supervised person of FSI AIM accepts performance based fees from specific client accounts.

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

To minimise potential conflicts, allocation of commitments and decisions to invest in investment opportunities made by FSI AIM for all discretionary clients with capital available for investment in the relevant strategy of the opportunity at such time will be in accordance with FSI AIM investment allocation process. The FSI AIM allocation process takes into account multiple criteria, including; specific and individual account objectives, account size and capital available for investment, the stage of development of an account's portfolio, the existing investment mix of an account, the diversification needs of the account, the size of the investment opportunity and the criteria for investment set out in the agreed investment disciplines.

## Side by Side Management

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

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

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

## Item 7: Types of Clients

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

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

FSI AIM typically requires a minimum account size of US\$50 million for a separate account. Clients are generally “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

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

### Introduction

FSI AIM manages funds across a diverse range of domestic and global asset classes, including Australian and global equities (such as global listed infrastructure, property securities and Stewart Investors), cash, fixed interest and credit.

## Investment Approach

Being a separate and dedicated funds management business allows us to focus on our key strengths in asset management, while developing a performance culture to better position us to attract and retain quality personnel that will underpin the performance of our clients' investments.

We aspire to be a world class asset manager, delivering superior investment performance to our clients in Australia and around the world. More than just outperforming benchmarks and peers, this means exceeding our clients' investment objectives and their expectations of service, accountability and initiative. To achieve this, we ensure that our interests are aligned with those of our clients and uphold a culture of always acting in our clients' best interests.

## Key Strategies

### ***Global Listed Infrastructure***

The investment process utilises an active, bottom-up security selection process that aims to exploit market inefficiencies. We target undervalued securities where the market underestimates the level and quality of sustainable free cash flows. We seek to earn excess returns by integrating a rigorous stock selection process, leading to high conviction stock positions with strict portfolio management risk controls.

The strategies invest in infrastructure and utility securities which control assets with monopoly characteristics. The assets in which we invest should have high barriers to entry, strong pricing power, sustainable growth and predictable cash flow. We look for companies with robust business models and strong management execution.

### ***Global Property Securities***

The investment process is primarily focused on bottom-up stock research. We focus on undervalued real estate securities with sound qualitative attributes and sustainable earnings growth. Securities are then ranked within each region according to valuation and qualitative measures.

The investment team of regional specialists undertakes rigorous research process and proprietary valuation techniques identifying mispriced opportunities in a risk-adjusted framework in order to achieve outperformance objectives. Focused research effort in real estate markets that are under-researched provides further opportunities to add value to portfolios. A great deal of emphasis is placed on meetings with individual companies in order to help identify undervalued securities.

### ***Stewart Investors***

Stewart Investors manage a focused suite of long-only equity strategies investing in Asia Pacific, Global Emerging Markets and Worldwide. It complements these with more specific Latin America and Indian Subcontinent strategies.

Stewart Investors has an investment philosophy that is unchanged in more than three decades, since the launch of their first fund in 1988.

Stewart Investors take a bottom-up (company-focused) approach to sustainable investment. They look for good quality companies (management, franchise and financials) that are well positioned to meet the challenge of sustainable development and contribute towards achieving it in the countries in which they

operate, be they developed or developing. Stewart Investors has a strong conviction that such companies face fewer risks and are better placed to deliver positive long-term returns to shareholders.

### ***Material Risks for Investment Strategies***

As with any investment, loss of principal is a risk of investing with any of the investment strategies described above. The strategies described above also are subject to the risks summarised below. However, the following list of risk factors does not purport to be a complete explanation of the risks involved in an investment strategy. Prospective clients are encouraged to consult their own financial advisors, legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of FSI AIM for a particular strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

Investments in portfolios are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person. Past results are not predictive of future results, clients should also refer to portfolio guidelines as well as to each portfolio's governing documents for further information on methods of analysis, investment strategies and risks specific to their portfolio investment.

### ***General Risks***

**Market Risk** - Investment returns are influenced by the performance of the market as a whole. This means that the investments can be affected by things like changes in interest rates, investor sentiment and global events, depending on which markets or asset classes our clients invest in.

**Security and investment-specific Risk** - Within each asset class and each option, individual securities like mortgages, shares, fixed interest securities or hybrid securities can be affected by risks that are specific to that investment or that security. For example, the value of a company's shares can be influenced by changes in company management, its business environment or profitability. These risks can also impact on the company's ability to repay its debt.

**Liquidity Risk** - Liquidity risk refers to the difficulty in selling an asset for cash quickly without an adverse impact on the price received. Assets such as shares in large listed companies are generally considered liquid, while 'real' assets such as direct property and infrastructure are generally considered illiquid.

Under abnormal or difficult market conditions, some normally liquid assets may become illiquid, restricting the ability to sell them and to make withdrawal payments or process switches for investors without a potentially significant delay or discount to value.

**Counterparty Risk** - This is the risk that a party to a transaction such as a swap or foreign currency forward fails to meet its obligations such as delivering a borrowed security or settling obligations under a financial contract.

**Non-Diversification Risk** - Non-diversification of investments means a portfolio may invest a large percentage of its assets in securities represented by a small number of issuers. As a result, the portfolio's performance may depend on the performance of a small number of issuers.

**Concentration Risk** - Concentrating investments in a particular country, region, market, industry or asset class means that performance will be more susceptible to loss due to adverse occurrences affecting that country, region, market, and industry or asset class. A portfolio concentrating in a single

jurisdiction is subject to greater risk of adverse economic conditions and regulatory changes than a portfolio with broader geographical diversification.

**Derivatives Risk** - Certain of the portfolios use derivatives, specifically options, index options, interest rate caps, collars, futures contracts, options on futures contracts, and forward currency exchange contracts, to manage various types of risk, enhance a portfolio's return, reduce transaction costs, maintain full market exposure, manage cash flows, preserve capital or hedge against adverse movements in currency exchange rates.

The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives, and changes in the value of the derivative, may not correspond, as intended, with changes in the value of the underlying asset, index or rate.

These risks are heightened when the adviser uses derivatives to enhance a fund's return or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by the portfolio. In addition, when the portfolios invest in certain derivative securities, there is the possibility that they are effectively leveraging their investments, which could result in exaggerated changes in the net asset value of the portfolios' shares and can result in losses that exceed the amount originally invested.

**Deflation Risk** — Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a portfolio.

**Inflation Risk** — Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of an account and distributions can decline.

**Management Risk** - The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. The assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses.

**Political and Economic Risks** — International investing is subject to the risk of political, regulatory, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

**Force Majeure Risk** - Force majeure is the term generally used to refer to an event beyond the control of any party, including acts of God, fires, floods, earthquakes, wars, strikes and acts of terrorism. Some force majeure risks are uninsurable and, if such events occur, they may adversely affect the value of a security.

**Preferred Security Risk** - Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments.

**Potential Environmental Risk** - The portfolio may hold securities in an issuer who may be liable for the costs of removal or remediation of hazardous or toxic substances. The costs of any required remediation or removal of such substances may be substantial. The presence of such substances, or

the failure to remediate such substances properly and any regulatory penalties may adversely impact the value of the securities causing a loss.

**Style-Specific Risk** - Different types of stocks tend to shift in and out of favour depending on market and economic conditions. To the extent a portfolio emphasizes a value style of investing, it runs the risk that undervalued companies' valuations will never improve.

**Currency Risk** - Returns from offshore investments can be impacted by foreign exchange movements. Currency hedges are, therefore, established to ensure that foreign exchange movements do not have a meaningful influence on performance. These facilities are reviewed on an on-going basis.

**Underlying Asset Currency Risk** - The assets of a company may be held in a country other than where the security is issued. This has the potential to create an additional underlying currency risk for that security.

**Changes to laws and regulatory Risk** - A government or governmental agency in a country in which a security is issued or asset held may amend, repeal, enact or promulgate a new law or regulation, or a government authority or a court may issue a new interpretation of existing law or regulation that could substantially affect the security resulting in a loss. In addition changes in legal, tax and regulatory regimes within the jurisdictions of investments may occur which may materially affect the performance of a security.

**Company specific Risk** - This is the risk that a company in which FSI AIM invests does not perform as successfully as anticipated. While it is impossible to completely eliminate this risk, the effect of such a situation on the value of the investment can be reduced through diversification. This implies that unless returns of individual securities are perfectly positively correlated, a negative return from one security will be somewhat offset by better returns in others. This principle of diversification acts to reduce risk and reduce the return volatility of our portfolios.

#### ***Specific Strategy Risks – Global Listed Infrastructure***

**Interest rate Risks** - Owing to the stable nature of cash flows, many securities with an exposure to infrastructure assets are able to be relatively highly geared. Consequently, they are exposed to movements in interest rates and to contractual repayment obligations with financiers. Movements in interest rates also affect the discount rates used in the valuation of these long duration assets. We seek to minimise interest rate risk by identifying assets with strong market positions, sustainable growth opportunities, inflation protected income and relatively low or hedged debt levels.

**Exogenous Risks** – Securities with an exposure to infrastructure assets may be impacted by exogenous events. For example, the essential nature of infrastructure assets may increase the risk of terrorist attacks while their capital intensity may increase the risk stemming from natural disasters. While these events are difficult to predict, we seek to minimise exogenous risks through portfolio diversification.

**Operating Risk** - The investment strategies will ultimately be exposed to the operating risk of the underlying businesses. Specialist skills are required in running an infrastructure business such as an airport or power station. An operating failure may adversely affect the profitability of the business and therefore the return of the investment. We seek to minimise the operating risks through portfolio diversification and detailed fundamental analysis. We aim for deep understanding of industry drivers, detailed analysis of company financials, regular meetings with management to understand and assess company strategy and execution, plus effective reviews of environmental, social and governance issues.

**Demand Risk** - The level of demand, usage or patronage for the service provided by an infrastructure asset may fall below expectations and adversely affect the performance of the investment.

**Personnel Risks** – The performance of a security which derives income from infrastructure assets may be impacted by the loss of key asset management personnel. We seek to minimise personnel risks by allocating significant resources to the investments. Remuneration is competitive and directly linked to the performance of the investment. Teams are mandated to grow funds under management and are backed by internal resources, including product development, information technology, trading and distribution.

***Specific Strategy Risks – Global Property Securities***

**Property market Risk - demand and supply** - The movement of capital in and out of both direct property and listed property securities can have a major impact on valuations. Consideration is given to the level of property investment sophistication and historic volatility of capital inflows/outflows before establishing an investment in a particular region.

Oversupply may develop in a particular region or segment of the property market as vacancy levels increase, rental demand declines or as new supply is added. Such an occurrence may result in downward pressure on valuations, possibly leading to declining trust distributions and capital values. This risk is partially mitigated by ensuring that there is a diversified spread of holdings by region and sector and by type of security held.

***Specific Strategy Risks –Stewart Investors***

**Foreign investment risk** – Maintaining assets in foreign countries generally involves higher costs and greater risks than those associated with similar investments in clients' home jurisdictions, particularly in the case of assets maintained in emerging countries. Investments in securities of issuers located in emerging markets can be more speculative than investments in securities of issuers located in developed countries and are subject to certain special risks.

**Custody risk** – The scope and range of custodial services offered in many foreign countries, particularly less developed or developing nations (known as “emerging markets”) can be limited. As a result, assets may be maintained with banks, brokers and other financial institutions which have more limited custody services, less experience, less developed procedures for safekeeping of assets, poorer capitalisation, and greater risks of bankruptcy, insolvency and fraud than would typically be the case in other jurisdictions.

**Emerging Market Political & economic risk** – The political and economic structures in many emerging markets are in their infancy and developing rapidly, as such these countries may lack the social, political and economic characteristics of more developed countries. In the past, some of these countries have failed to recognise private property rights and have at times nationalised and expropriated the assets of private companies. Many emerging markets have experienced periods of substantial and sometimes extremely high rates of inflation for many years. Continued inflation may adversely affect the economies and securities markets of such countries. In addition, unanticipated political or social developments may affect the value of investments in these countries.

## Item 9: Disciplinary Information

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

## Item 10: Other Financial Industry Activities and Affirmations

FSI AIM is a wholly owned subsidiary of MUTB. MUTB is one of Japan's leading asset managers and is a wholly owned subsidiary of MUFG, a global financial group. In some cases, FSI AIM may have business arrangements with related persons/companies or with their clients. In some cases, these business arrangements create potential conflicts of interest or the appearance of a conflict of interest between FSI AIM and a client. Recognized conflicts of interest are discussed in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) of this Brochure.

### **Affiliated Broker Dealers**

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

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

### **Affiliated Investment Advisers**

First Sentier Investors (Australia) RE Ltd ("FSI ARE") is an SEC registered investment adviser and is an affiliate of FSI AIM. FSI ARE was established in 1985 and is a wholly owned subsidiary of MUTB. MUTB is one of Japan's leading asset managers and is a wholly owned subsidiary of MUFG, a global financial group. FSI ARE is an investment advisory firm providing discretionary investment management services to a range of institutional clients and funds.

First Sentier Investors International IM Limited ("FSI IIM") is a registered investment adviser and is an associate of FSI AIM. FSI IIM was incorporated in 1982. FSI IIM is a wholly owned subsidiary of the MUFG Group.

FSI IIM is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. FSI IIM have historically specialised in investing in Asia Pacific and Global Emerging markets but continue to expand their range of investment strategies.

FSI IIM has appointed FSI AIM to act as a sub-adviser and provide discretionary investment management services to private funds managed by FSI IIM.

First Sentier Investors Singapore ("FSI SG") is a registered investment adviser and is an associate of FSI AIM. FSI SG was incorporated in 1969. FSI SG is a wholly owned subsidiary of the MUFG Group.

FSI SG is an investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. FSI SG predominantly specialises in investing in Asia Pacific and Global Emerging markets.

FSI AIM and FSI SG mutually act as sub investment managers, providing discretionary investment management services in respect of several funds and mandates.

First Sentier Investors (US) LLC ("FSI US") is an SEC registered investment adviser and is an associate of FSI AIM. FSI US was established in 2014 and is a wholly owned subsidiary of the MUFG Group. FSI US provides discretionary management services to institutional clients and funds. Employees of FSI US provide U.S. marketing and solicitation services for the advisory services of FSI AIM.

First Sentier Investors (UK) IM Limited ("FSI UKIM") was incorporated in 1970 and is a wholly owned subsidiary of the MUFG Group. FSI UKIM is a UK regulated investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. Effective September 2015 FSI UKIM was registered with the SEC as an Investment Adviser.

First Sentier Investors (UK) Funds Limited ("FSI UK") was incorporated in 1998, and is part of First Sentier Investors, and a wholly owned subsidiary of the MUFG Group. FSI UK is a UK regulated entity, acting as investment manager for both US and non-US institutional clients. FSI UK is also an SEC registered Investment Adviser.

First Sentier Investors (Hong Kong) Limited ("FSI HK") was incorporated in 1987 and is a wholly owned subsidiary of the MUFG Group. FSI HK is a Hong Kong regulated investment advisory firm providing discretionary investment management and portfolio management services to a range of institutional clients and funds. Effective October 2015 FSI HK was registered with the SEC as an Investment Adviser.

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

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

FSI AIM has adopted a Code of Ethics ("the **Code**") that requires all supervised persons to:

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

### **Definitions:**

**Supervised Person:** is any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides

investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

**Access Person:** is a Supervised Person who has access to non-public information regarding clients' purchase or sale of securities, is involved in making securities recommendations to clients or who has access to such recommendations that are non-public.

All Supervised Persons have received a copy of the Code and are required on an annual basis to confirm that they have read and understood the content.

The Code includes policies which will ensure the standards detailed above are adhered to and include:

#### **Protection of Non-Public Information**

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

#### **Personal Securities Trading**

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

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

#### **Gifts and Gratuities**

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

#### **Conflicts of Interest**

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

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

FSI AIM from time to time does invest in the same securities that FSI IIM is also currently invested. Portfolio management and security recommendations are undertaken at an investment strategy level

and each investment team managing these strategies is organised separately. Information barriers and other controls exist between investment teams to manage any potential conflicts that may arise.

FSI AIM also provides non-discretionary investment management services as a subadvisor to investment advisors that seek advice through the provision of model portfolios. These model portfolios are used by the investment advisor to manage their client accounts. The timing and nature of services provided by FSI AIM with respect to model portfolios are defined separately in the service agreements with relevant investment advisors as the parties see fit in each case and as a result may differ between the agreements, as well as between non-discretionary and discretionary service arrangements. Notwithstanding these differences, FSI AIM has conflicts of management procedures in place to ensure all client interests under relevant agreements are treated equitably and fairly.

### **Outside business interests**

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

You can request a copy of our Code of Ethics by writing to the:

Chief Compliance Officer, First Sentier Investors (Australia) IM Ltd, Level 5, Tower 3,  
International Towers, 300 Barangaroo Avenue, Barangaroo, NSW 2000 Australia.

## **Item 12: Brokerage Practices**

### **Counterparty Selection**

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

The criteria to add a broker to the approved counterparty list are generally based on a number of factors, which may include, but are not limited to, our assessment of the broker's:

- Ability to provide adequate coverage of the asset class globally;
- Pricing capability;
- Liquidity and limit provision;
- Sustainability;
- Operational capability;
- Service quality;
- Financial responsibility
- Administrative resources
- Responsiveness
- Reputation, including regulatory status and history; and
- Financial crimes risks and controls.

Counterparties are continually monitored to certain operational and compliance standards, and in some cases ESG factors are taken into account when assessing counterparty suitability and level of

engagement. Counterparty issues are presented for the oversight groups to consider as part of the quarterly review process. Certain trigger events will also create the need for a review of the counterparty outside of the scheduled review process. These events can include (but are not limited to):

- A change in key personnel;
- Consistently poor pricing;
- A substantial change in business direction;
- Repeated occurrences of operational failures or major operational errors;
- Anti-bribery & corruption and Sanctions Risks;
- Changes in financial responsibility;
- Adverse changes in administrative resources;
- Poor responsiveness.

### **Use of Dealing Commissions**

All broker related research services consumed by the Global Listed Infrastructure Securities, Global Property Securities and Stewart Investors investment teams are paid for directly by the firm from our own resources. Thus we will make separate payments to the providers for such services directly. Hence the dealing commission is only for trade execution services.

The Securities Exchange Act of 1934 established criteria for “qualified” brokerage and research services. We believe that the research and services received for client commission’s fall within the definition of “qualified” brokerage or research service.

The use of client commissions for research and services is a potential conflict of interest with an incentive to allocate trades to a particular broker to obtain research services rather than to the broker who would be expected to provide the best combination of commission and price.

No arrangements regarding the use of dealing commission may be entered into that could compromise our ability to seek best execution for our customers.

For the Australian Growth, Australian Small Companies and Emerging Companies investment teams, FSI AIM’s policy is that all externally provided execution and research services are paid for as a part of an agreed commission with the broker. This includes situations where the dealing commission on a particular trade or series of trades is shared, such that a portion of the commission paid for third-party research or execution services are paid into a separate commission account managed by a third party global broker provider such as Instinet. Such Commission Sharing Arrangements (CSA) are entered into with a third party CSA provider in order to more efficiently and increase the diversity of our use of providers of research, and to allow maximum flexibility in the selection of execution counterparties, including where a research service provider does not also provide an execution service.

This research includes any of the following:

- Analytical reports on specific companies or industries
- Current and historical statistical information on companies, industries or economic conditions
- Information on federal and state legislative developments
- Information on accounting practices
- Meetings either in person or electronically with corporate managements, industry experts, economists and other experts

- Meetings either in person or electronically with research analysts with expertise in specific companies and industries
- General investment information useful in identifying investment opportunities and developing investment strategies
- Statistical information useful in evaluating comparative investment performance
- Technical measurement services

Other services that can be received from brokers include trade settlement.

### **Directed Commission**

Directed commission is where a client may instruct us to generate commission on their account in order to pay for a service which they have contracted from one or more particular brokers. As we abide to a 'Best Execution' approach to our dealing process, we will not enter into directed commission arrangements if requested to do so by clients or prospective clients.

### **Cross Transactions**

Where an internal crossing or "put-through" is undertaken, where one internal fund/client is selling and another is buying, the equity dealer must ensure the price is fair to both customers. Our standard approach in all such cases is to transact through a broker as a net trade, rather than to cross internally: this creates a clear audit trail with an external party and ensures all regulatory reporting is conducted. Crosses are executed only with client authorization and only for clients that are not plans, trusts or retirement accounts governed by the Employee Retirement Income Security Act of 1974, as amended. Such transactions are only entered into when FSI AIM deems the transaction to be in the best interest of both clients and at a price FSI AIM has determined by reference to independent market source.

Neither FSI AIM nor any related party receives any compensation as a consequence of such 'cross' transactions.

### **Aggregation and Allocation of Orders**

FSI AIM seeks to aggregate and allocate trade orders in a manner that is consistent with its duty to: (1) seek best execution of client orders; (2) treat all clients fairly and equitably over time; and (3) not systematically advantage or disadvantage any single client or group of clients.

FSI AIM follows policies and procedures pursuant to which it can combine or aggregate purchase or sale orders for the same security for multiple client accounts (also known as a bunched order) so that the orders can be executed at the same time. FSI AIM aggregates orders when FSI AIM considers doing so appropriate and in the interests of its clients. FSI AIM's client accounts can be included in the aggregated orders with clients of FSI AIM's affiliated advisers.

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

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

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

### Item 13: Review of Accounts

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

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

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

### Item 14: Client Referral and Other Compensation

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

FSI AIM's clients and prospective clients may utilise the services of investment consultants and similar experts to evaluate and recommend investment advisers and their services.

From time to time, FSI AIM or its affiliates may provide investment advisory services to these consultants or their affiliates, or separately use them for services unrelated to the client's account.

### Item 15: Custody

FSI AIM does not maintain custody of the assets of our clients with separately managed accounts or funds or undertake any form of custody services. Instructions to facilitate portfolio management trading, payment of fees, etc. are instructed by the client through the client's or fund's custodian.

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

### Item 16: Investment Discretion

FSI AIM accepts discretionary authority to manage securities accounts on behalf of clients through the negotiation, agreement and execution of an Investment Management Agreement which sets out the

investment objectives of the client and any limits that the client may wish to impose on our discretionary authority.

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

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

From time to time, we may also accept client mandates on a sub-advisory basis.

## Item 17: Voting Client Securities

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

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

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

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

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

## Item 18: Financial Information

FSI AIM does not require prepayment of any advisory fees.

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