



**Item 1:**

**FIRM BROCHURE**

**STONEHAGE FLEMING INVESTMENT MANAGEMENT LIMITED**  
(“SFIM” or the “Firm”)

**Form ADV, Part 2A (the “Brochure”)**

31<sup>st</sup> March 2022

This brochure provides information about the qualifications and business practices of Stonehage Fleming Investment Management Limited. If you have any questions about the contents of this brochure, please contact us at +44 20 7036 5000 or [katie.mundell@stonehagefleming.com](mailto:katie.mundell@stonehagefleming.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

The Firm may refer to itself as a “registered investment adviser” or “RIA”. You should be aware that registration with the SEC does not imply a certain level of skill or training.

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## **ITEM 2: MATERIAL CHANGES**

This section describes the material changes made to the Firm's initial Form ADV, Part 2A published in November 2021. The following material change(s) to this Brochure have occurred:

- Item 2: The fee scale has been updated to provide further detail.
- Item 4: The scope of investments advised on for Portfolio Management has been revised to include Equity only (stocks), Fixed Income only (bonds), cash only, Mutual Funds, Exchange Traded Funds only or a combination of these assets (multi-asset). The firm can also use forward currency contracts for hedging purposes.
- Item 4: More detail on Gatekeeper services has been added.
- Item 7: We have clarified that the types of clients we offer service to include High Net Worth individuals, Charities, other Investment Advisers, Corporations and Trusts
- Item 8: We have added details explaining the approach taken to Environmental, Social and Governance ("ESG") by the Equity Management – Global Best Ideas (GBI) Equity Strategy
- Item 10: We have added further details on affiliated companies.
- Item 13: We have added disclosure that Clients are responsible for updating the portfolio manager on any changes in their circumstances. In addition, we have clarified that contract notes are sent to clients for non-discretionary portfolios.
- As of the 19<sup>th</sup> September 2022, the Firm's address changed to: 6 St James's Square, London SW1Y 4JU, United Kingdom

### **ITEM 3: TABLE OF CONTENTS**

<u>Item</u>		<u>Page</u>
1	Cover Page	1
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	5
5	Fees and Compensation	8
6	Performance-Based Fees and Side-By-Side Management	11
7	Types of Clients	12
8	Methods of Analysis, Investment Strategies and Risk of Loss	13
9	Disciplinary Information	19
10	Other Financial Industry Activities and Affiliations	20
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	23
12	Brokerage Practices	26
13	Review of Accounts	28
14	Client Referrals and Other Compensation	29
15	Custody	30
16	Investment Discretion	31
17	Voting Client Securities	32

18	Financial Information	33

## **ITEM 4: ADVISORY BUSINESS**

### **About the Firm**

Stonehage Fleming Investment Management Limited (“SFIM” or the “Firm”) was established in December 2001, and provides investment management for high-net-worth (“HNW”) individuals, Charities, other Investment Advisers, Corporations and Trusts. SFIM is wholly owned by Stonehage Fleming (UK) Limited, which is wholly owned by Stonehage Fleming Financial Services Holdings Limited, which is wholly owned by Stonehage Fleming Family & Partners Limited, which has the following principal owners (those owning 25% or more):

- Caledonia Investments Plc (having a 36% interest)
- Spes Bona Limited having a 27.75% interest. Spes Bona Limited is 41.76 % owned by Libertas Investment Group Limited, which in turn is 100% owned by the Primafides (Suisse) S.A Trustee of the Libertas International Trust. No other owners hold more than 25% of Spes Bona Limited
- No other owners hold over 25% of Stonehage Fleming Family & Partners Limited.

Please see Schedules A and B of the ADV Part 1 – for a list of owners.

<https://adviserinfo.sec.gov/firm/summary/313913>.

The Group employs over 900 people in 18 offices across 14 geographies. SFIM has 64 staff members, all based in the London office. The Group manages, advises and administers over \$21.5 billion of assets, of which approximately \$14.43 billion is managed by SFIM (as at 31 March 2022).

SFIM is authorized and regulated by the United Kingdom Financial Conduct Authority (“FCA”) to carry out investment business and is a registered investment adviser registered with the Securities and Exchange Commission (“SEC”).

As a registered investment adviser, SFIM acts as a fiduciary related to the conduct of its investment advisory services. As such SFIM has an obligation to act in the best interest of its Clients guided by the core fiduciary duties of loyalty and care.

In February 2022, Stonehage Fleming acquired the Private Client Services business of Maitland, a privately owned global advisory, administration and family office firm.

### **Investment Gatekeeper**

For clients with significant liquid wealth (typically \$100m+) the Firm offers an Investment Gatekeeper service (non-discretionary). The Firm acts as the client’s “outsourced” Chief Investment Officer, providing counsel on governance of the investment process, structure, asset allocation, investment strategy, selection and oversight of external/third party managers, and specific investment recommendations on a range of assets including Equities, Fixed Income, Cash, mutual funds, exchange traded funds, and derivatives. SFIM may or may not manage a proportion of the assets, depending on the client’s investment requirements. Depending on the client’s requirements, SFIM can provide consolidated reporting and portfolio analysis. The investor makes the ultimate decision regarding the purchase or sale of investments.

## **Portfolio Management**

Bringing together the Firm's Equity Management, Fixed Income, and Cash Management Teams, SFIM will build a discretionary or non-discretionary portfolio for clients, tailored to individual client needs. Portfolios can be Equity only (stocks), Fixed Income only (bonds), cash only, Mutual Funds, and Exchange Traded Funds only, or a combination of these assets (multi asset). The Firm can also use Forward Currency Contracts for hedging purposes.

Prospective clients enter into an investment management agreement ("IMA") which details the services to be provided and the authority and discretion SFIM is given to manage the assets in the client's portfolio. In each case, discretion can be limited through the client's specific investment guidelines and restrictions (companies, investment sectors or geographies) that they prefer or those they wish to exclude from their portfolio. Clients should understand that some restrictions could be exceeded or compromised as a result of events beyond the control of SFIM. For non-discretionary accounts, the retail investor makes the ultimate decision regarding the purchase or sale of investments.

The Firm follows a four step suitability process as set out below in order to create the right portfolio for each client, which includes their preferences.

### **1. Knowledge & Experience**

SFIM confirms the client's preferred service type (e.g. discretionary versus non-discretionary).

### **2. Fact Find**

SFIM will undertake a detailed Fact Find with the client to understand:

- Investment objectives
- Currency requirements
- Restrictions
- Performance Comparators
- Income and draw-down requirements
- Liquidity requirements
- The client's investment horizon
- Knowledge and experience
- Tax requirements

### **3. Risk**

The client answers a series of questions to help the Firm assess the client's risk appetite in relation to the portfolio, considering their risk and return expectations, as well as their capacity for loss. The output of the questionnaire is then assessed through a third party risk assessment system which helps the Client Relationship Director to determine the most suitable mandate for the client, taking into account the client's requirements and any client-directed mandate restrictions from the Fact Find.

### **4. Investment Proposal Report**

An Investment Proposal Report (IPR) is prepared for the client, setting out the outputs from the suitability process, including any changes to asset allocation guidelines and any restrictions

specified by the client in terms of exclusions of certain types of investment. If the client agrees with the service and mandate set out in the IPR, an Investment Management Agreement (“IMA” is prepared and sent out for the client to sign.

SFIM does not participate in wrap fee programs.

### **Regulatory Assets**

As of 31 March 2022, the Firm’s regulatory assets under management were \$14.43 billion. Of this amount, the Firm managed approximately \$10.85 billion on a discretionary basis and \$3.57 billion on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **Fees**

The below represents the standard fee tariff for the Firm's investment clients and is for indicative purposes. The Firm's annual fees earned are based on an agreed percentage on the value of assets under management ("investment management fees").

#### **Equity Management**

Portfolio Value	Percentage Per Annum
On the first \$5 million	1.25
On the next \$45 million	0.75
On \$50 million upwards	0.50

#### **Cash Management**

Portfolio Value	Percentage Per Annum
On the first \$10 million	0.30
On the next \$10 million	0.20
On the next \$20 million	0.15
On the next \$60 million	0.10
On \$100 million upwards	0.07

#### **Fixed Income**

Portfolio Value	Percentage Per Annum
On the first \$10 million	0.45
On the next \$10 million	0.40
On the next \$20 million	0.40



On the next \$60 million	0.35
On \$100 million upwards	0.25
<b>Multi Asset</b>	
Portfolio Value	Percentage Per Annum
On the first \$10 million	0.65
On the next \$10 million	0.40
On the next \$30 million	0.30
On the next \$50 million	0.25
On the next \$50 million	0.20
On \$150 million onwards	0.15
<b>Investment Gatekeeper Service</b>	
Fees are negotiated with each client individually according to the bespoke service provided to them by SFIM and the amount of assets under advice.	

Client fees are negotiable, including specific servicing or reporting requirements, asset levels, or other factors, in our sole discretion. Fees are potentially subject to Value Added Tax (“VAT”) or other taxes and SFIM will confirm these to the client prior to providing any services.

Most of the Firm’s portfolios are billed quarterly in arrears. However, from time to time the Firm will agree to a different frequency with clients. In all cases, the frequency of billing will be agreed prior to the provision of any investment management services.

For the Investment Gatekeeper Service, fees are invoiced to the client. For portfolio management, charges will usually be automatically deducted from the portfolio. However, some clients prefer to pay outside of their portfolios, in which case they will be sent an invoice to settle by check or bank transfer.

SFIM does not charge fees in advance. No additional fees or penalties are charged for termination of any IMAs. Fees are charged on a pro rata basis up to the point of termination.

SFIM’s fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses. See Item 12: Brokerage Practices. Clients may also incur their own custody fees, administration fees and bank charges for operating their own portfolio.

**Compensation**

Neither SFIM nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

The firm does not generally levy performance fees for clients. There is one exception to this where one client group of portfolios are charged a combination of an annual fee and a performance fee. The inclusion of a performance fee for this relationship was requested by the client. The Firm provides this client with non-discretionary service and the client's trustees make the decision whether to invest in any of the recommendations that the Firm may suggest. SFIM presents the investment case and the client decides whether to proceed or not.

The receipt of performance-based fees may create an incentive for an investment adviser to recommend riskier or more speculative investments. In addition, in situations where an investment adviser manages some portfolios with only asset-based fees and other portfolios with a performance fee component, the investment personnel face potential conflicts of interest in that they may have an incentive to favour portfolios for which the Firm receives a performance fee. However, the recommendations SFIM makes for this client relationship are highly bespoke and are based on ideas that arise from regular two-way discussions regarding the client's portfolios; they are not generally recommendations that are made for the Firm's core models and funds so there is very little overlap or potential for conflict in this situation. Further, as an FCA-regulated business in the UK, and as a firm with fiduciary obligations to its clients, SFIM performs a thorough risk profile of the client and would only suggest ideas which are suitable for that particular client. All recommendations made by SFIM to the client and made by the client to SFIM are documented. The investment management agreement also allows this client to terminate the relationship with immediate effect if they so desire. In addition, SFIM has policies in place that seek to ensure that all clients are treated fairly and equitably in relation to the fair allocation of trades across all portfolios. See *Item 12: Brokerage Practices*.

## **ITEM 7: TYPES OF CLIENTS**

The majority of the Firm's clients are high net worth individuals, but the Firm also manages assets for charities, other investment advisers, corporations and trusts.

The minimum amount required to open an Investment Gatekeeper Service is typically \$100 million. The minimum amount required to open an Equity Management portfolio is typically \$15 million. The minimum amount required to open a Fixed Income or Cash portfolio is typically \$10 million. The minimum amount for a multi asset portfolio is typically \$20 million. Although the Firm expects most portfolios to be maintained at or above levels, the Firm does not typically close portfolios where they drop below. Ongoing, long-term client relationships are the norm for SFIM, and SFIM would normally be well aware of the reasons for portfolios going below the standard minimum amounts.

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

### **Gatekeeper**

A highly bespoke investment policy and strategy is agreed with the client and SFIM will provide the client with detailed input on governance, structure, investment strategy and specific investments. Investment ideas are routinely brought to the client's attention for joint assessment and implementation. SFIM will undertake detailed research on any ideas introduced by the client.

### **Portfolio Management**

The Firm offers US clients the ability to invest in two types of investment strategies –Equity Management and Fixed Income / Cash Portfolios. Each investment strategy is discussed below in turn.

#### **Equity Management – Global Best Ideas (GBI) Equity Strategy**

The Equity Management Team manages the GBI Equity strategy, which invests in best of class businesses for their quality, strategic competitive edge and value. The investment process is entirely bottom-up and driven by fundamental research. The Global Investment Universe is screened for listed companies that have a market capitalization of over \$10bn and an average of at least \$75m of daily trading volume over the past 6 months. This reduces the universe to c. 2000 companies. From this list of 2,000 companies, the Team has developed a core list of c. 150 listed companies which they deem to be portfolio candidates. These companies are actively followed in the Core Universe list ('the Core list'). The Investment Committee meets weekly to discuss the progress of investments as well as potential additions to or deletions from portfolios and the Core list. If a company is being considered for inclusion in the Core list, one of the analysts will draw up a short report primarily based on the 15 quality factors explained in more detail below. This short report will be discussed at the Investment Committee to determine whether it should be actively followed. Should it pass the test, the company then becomes the responsibility of a specific analyst and, if the listed company is then deemed worthy of consideration for the portfolio, a far more rigorous analysis of the company will be made in order to ensure it fulfils the criteria to be considered a 'Global Best Idea'. The mandate is limited to 20-30 holdings.

Companies are selected for inclusion in the Core list and ultimately the portfolios, based on their quality, ability to exhibit a strategic competitive edge and generate sustainable growth. This is based on four key criteria: (i) the ability to grow organically on a sustainable basis, (ii) proven, quality management, (iii) operating efficiency, and (iv) the ability to generate positive free cash flow on a sustainable basis.

SFIM determines a company's ability to meet these objectives in a number of ways. Decisions are made based on a mix of qualitative and quantitative analysis. In terms of the quantitative factors, there are 15 key tests which have been developed over a number of years, covering areas including liquidity, profitability and ESG factors, to assess whether a business is 'best-in-class'.

In terms of ESG factors, we subscribe to independent data providers such as RepRisk and Glass Lewis for critical information that is used to support decision making and to conduct on-going real-time monitoring of our holdings for environmental and social controversies. Businesses are also monitored for their commitment to the Paris Climate Agreement and other global ESG objectives/accords. SFIM is a signatory of the United Nations-supported Principles for

Responsible Investment (UNPRI). The UNPRI is an international global network for asset owners, investment managers and service providers who are committed to the inclusion of ESG considerations in their investment decision making. Being a signatory places a significant reporting obligation upon SFIM to demonstrate how our investment processes support those Principles. Our first report will be produced in 2023, and the first publically available report the following year. These are guidelines to consider the quality of a business. They are not preconditions for a business to qualify for consideration.

The qualitative characteristics on which the Investment Manager and Investment Team focus heavily include:

- The quality of the business in the context of organic growth, management quality, effectiveness and free cash flow generation
- The quality of the Management Team, in particular the Chairperson CEO, CFO, COO and breadth of the Board's experience and independence
- Business strategy, governance, environmental and social responsibility
- Innovative, good shareholder communication, success with implementation
- Operating Margin, Return on invested capital (ROIC) incremental ROIC
- Balance sheet strength, interest cover

All members of the Investment Committee participate in discussing and considering investment propositions. The Investment Manager is ultimately responsible for portfolio construction, however the senior investment analysts participate closely and they work as a Team in portfolio decision support. The portfolio candidates are selected from the Core list based on a combination of expected returns, conviction in those returns and historic share price volatility.

The portfolios are managed with the GBI Equity strategy weights as model targets. These weights may vary over time due to differences the timing of inflows and any client specific restrictions. In this context, good liquidity is a key feature of the portfolio. The portfolio will hold approximately 20-30 securities. The Investment Manager applies certain internal minimum and maximum sector banding limitations to ensure that the portfolio is sufficiently diversified. For changing circumstances, the bandings can be adjusted after official approval from the Investment Committee. Clients may choose to apply their own security and sector investment restrictions and limitations.

Investing in securities involves risk of loss that clients should be prepared to bear. The key risks pertaining to the GBI Equity strategy are as follows:

- *Investment process* – The strategy follows a buy to hold philosophy so investments in and out of entire company holdings are relatively infrequent (12 month portfolio turnover at 30 June 2021 was 6.3%).
- *Fees* – Fees including custody and administration costs as well as transaction costs may affect the overall performance of the strategy.
- *Key Person Risk* – The risk of losing a key member of the Team. A strong Team has been built around the Investment Manager, with three experienced equity analysts in place at senior level, plus relationship management and other support provided by an experienced Team.

- *Liquidity Risk* – *Liquidity* has been a core focus of the Global Best Ideas Equity strategy since inception and is one of the quality tests. The strategy assets comprise only readily realisable securities, which can be easily sold. Liquidity risk is managed on a regular basis by the Team, in accordance with policies and procedures in place and separately monitored by the SFIM Risk Team. The Investment Manager will normally keep some allocation of cash to meet pending liabilities that may arise from time to time.
- *Interest Rate Risk* – Interest rate risk represents the potential losses that the strategy may suffer due to adverse movements in relevant interest rates. The amount of income receivable from bank balances will be affected by fluctuations in interest rates. The portfolio is not significantly exposed to interest rate risks as it invests primarily in equities, which represent on average in excess of 95% of its net assets. The businesses in the portfolio generally have strong balance sheets.
- *Credit Risk* – Credit risk is the risk that counterparties or investment issuers will be unable or unwilling to meet a commitment that it has entered into and cause the strategy to incur financial loss. The strategy will be exposed to settlement risk on parties with whom it trades and custody risk. In managing this risk, the Investment Manager seeks to work with and / or invest in institutions that are well known, financially sound and where appropriate well rated by rating agencies.
- *Settlement Risk* – Default by a broker could expose the strategy to an adverse price movement in the security between execution and settlement. When carrying out transactions in listed securities these are settled on cash versus delivery basis.
- *Custody Risk* – Custody Risk is the risk of loss of assets held in custody. The custodian must exercise due skill, care and diligence in the selection and periodic review and ongoing monitoring of sub-custodians.
- *Currency Risk* – Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk is addressed by the Investment Manager buying predominantly global businesses with a well-diversified currency profile. The currency exposure of cash holdings are actively managed on a regular basis.
- *Market Price Risk* – Market Price Risk arises mainly from uncertainty about future prices of equities. It represents the potential loss the portfolio might suffer through holding market positions in the face of price movements.

The Investment Manager manages market price risk on a daily basis in accordance with the investment objectives and policy of the strategy and the client. The quality mandate is designed to lower the overall risk.

Investment risk is monitored by the Performance and Investment Risk Team. Sungard's APT is used as the main risk model where a variety of risk measures are scrutinised in order to

understand risk levels and get comfortable with the degree of risk taken. The risk measures that are tracked and monitored include:

- liquidity risk, measured by how quickly the portfolio could be liquidated, assuming 20% of average daily volume of each security could be sold (the entire portfolio could currently be liquidated within 3.9 days on this basis);
- portfolio volatility versus the benchmark;
- beta; a detailed analysis of tracking error on a sectoral and geographic basis;
- an analysis of the top 10 stocks contributing to risk as defined by tracking error; and,
- the top 10 companies that diversify risk.

Scenario analysis is also produced to see how the strategy fared during major economic and market events over the past 20 years. Various regression analyses are performed to understand the strategy's relationship with common macro factors.

### **Fixed Income and Cash Management**

The Fixed Income and Cash Management strategies are managed against client-agreed investment guidelines. We do not offer these portfolios on a non-discretionary basis.

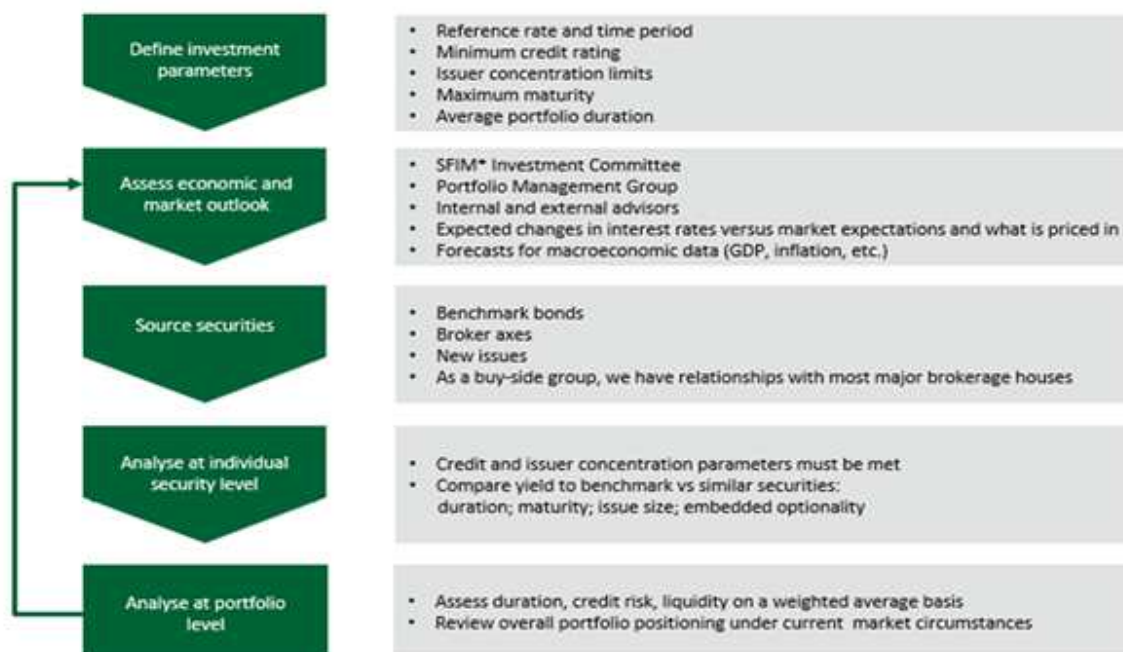
SFIM's Fixed Income portfolios offer clients an exposure to a diversified allocation of investment-grade bonds (typically minimum ratings will be BBB or better), and the average duration will range from 2 to 7 years. The Firm will not invest in high yield (bonds rated lower than BBB-/Baa3), emerging markets, or structured credit. Typical underlying investments used are Corporate Bonds.

SFIM's Cash Management offering is focused on cash preservation and the average credit quality is typically high (upper end of investment grade, single A or better). The portfolio average duration is usually less than 1 year. Typical instruments used are Government Treasury Bills and Corporate Bonds.

Within the issuer investment universe, the Firm will look to allocate to sovereigns entities, sovereign agencies, supranational entities, corporate and financial issuers. The Firm pays significant attention to liquidity in relation to issue size and broker coverage, avoiding sub-scale issues and private placements (typical issue size is GBP >200mio, EUR >250mio, USD>500mio). Portfolios will typically be structured in a laddered maturity fashion, assuring a frequent maturity pattern, rather than targeting specific dates and creating clusters of maturing bonds, thus increasing reinvestment risk. Fixed Income portfolios will generally consist of approximately 20 issuers providing diversification at issuer level of about 5%. Cash Management portfolios may be more concentrated, especially if only investing in sovereign bonds (US or UK Treasury Bills). The Firm will look to maintain the portfolios close to fully invested.

The starting point for investment is an in-depth review of the internal benchmark index the Firm looks to manage against. The benchmark index is analyzed on a duration, maturity, credit profile, sectoral and issuer basis. The Firm's standard starting point, when initially constructing the portfolio, will be duration neutral against the internal benchmark. Following the construction of the model portfolio the expression of views around duration will be governed by the Investment Team. Below is a schematic process of the portfolio investment process.





Source: Stonehage Fleming Investment Management Limited (SFIM)\*

Please note the term “Broker Axe” refers to an inventory available from market counterparties.

As the Firm’s investable universe is restricted to investment grade (typically focusing on the higher quality of the spectrum rather than issuers closer to crossover) with maturities typically out to 10 years, this creates a stable and fairly non-volatile investable universe. With regards to issuer selection, the Firm does not conduct primary research or construct valuation models in order to follow issuers. The Firm relies on research and analysis from external providers to assure the credit quality of the issuers. Where SFIM formulates its own independent internal views which aide implementation of these portfolios, the Firm documents on its quarterly dashboard that covers its model portfolios that dictate construction of wider portfolios.

Investing in securities involves risk of loss that clients should be prepared to bear. Both the Cash Management and the Fixed Income portfolios take a particular type of market risk. In the Cash Management portfolios the focus is to offer clients a portfolio that is high credit quality with limited interest rate risk, usually invested in very short dated sovereign bonds. Within Fixed Income markets this is amongst the safest investment profiles one could allocate capital to. The Fixed Income portfolios offer clients exposure to investment grade corporate credit. The Firm aims to do that in a risk controlled fashion by not reaching out into lower-rated (sub investment grade, lower than BBB-/Baa3) or longer-dated (maturities longer than 10 years). In this way, SFIM attempts to limit the credit and interest rate volatility.

Other risks include:

- *Key Person Risk* – The Fixed Income Team is made up of two experienced professionals, and there is additional support provided by the wider Investment Team. If needed, the Deputy Head of Investments who is an experienced investment manager has insight into the Fixed Income and Cash Management propositions.

- *Liquidity Risk* – The risk that Fixed Income positions held in portfolios may have difficulty in trading. Liquidity across Fixed income markets can become challenged particularly in the areas such as high yield and emerging markets. The Firm’s focus on investment grade markets alleviates this issue. Furthermore, SFIM’s investment process is to only consider large issue sizes, covered by multiple brokers, which provides an additional layer of protection.
- *Interest Rate Risk* – Interest rate risk represents the potential losses that holdings may suffer due to adverse movements in relevant interest rates. The Firm’s Cash Management portfolios are relatively insulated from this as they invest in very short maturity bonds with only limited interest rate sensitivity. The Fixed Income portfolios may be exposed to interest rate risk. The Firm attempts to actively manage this by switching from longer dated bonds to shorter dates (mandate permitting) if the Firm believes this to be warranted.
- *Credit Risk* – Credit risk is the risk that an issuer will be unable or unwilling to meet a coupon or maturity payment and cause the portfolios financial loss. The Firm’s portfolios only allocate capital to investment grade rated bonds thus mitigating part of this specific risk. Where an existing holding is downgraded from investment grade we have the discretion to continue to hold the position.
- *Settlement Risk* – Default by the trading counterparties could expose a portfolio to adverse price movement in the security between execution and settlement. This risk is mitigated because transactions in listed securities are settled on cash versus delivery basis.
- *Custody Risk* – Custody Risk is the risk of loss of assets held in custody. The custodian must exercise due skill, care and diligence in the selection and periodic review and ongoing monitoring of sub-custodians.
- *Currency Risk* – Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Typically in Cash Management and Direct Fixed Income portfolios the Firm will not mix currencies and prefers to keep them as single currency portfolios.
- *Market Price Risk* – Arises mainly from uncertainty about future prices of securities. It represents the potential loss the portfolio might suffer through holding market positions in the face of price movements. As portfolio managers, SFIM will manage market price risk on a daily basis in accordance with the investment objectives and mandate guidelines. The Firm’s focus on the investment grade part of the market and indeed the portfolios’ shorter maturity profile vs. the market lowers the overall risk.

#### **ITEM 9: DISCIPLINARY INFORMATION**

SFIM and its employees are required to disclose all material facts regarding any legal or disciplinary events to which they may have been or are subject. SFIM has no information to disclose that is applicable.

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

SFIM and its management persons are not registered, and have no applications pending to register, as a US broker-dealer or registered representative thereof, futures commission merchant, commodity pool operator, or commodity trading advisor, nor are they an associated person of any of these types of entities.

The Stonehage Fleming Group Companies, comprising investment advisers, wealth planning, corporate and trust services as well as family office provision, provide clients with a range of services depending on their needs and circumstances. We develop strong knowledge of our clients. Where appropriate, we may refer clients to one or more Group Companies to provide additional services. Clients are made aware of the various capabilities we have across the group from the outset. For example, a family office or trust client may be referred to SFIM if they require an investment adviser service. Referrals may take place across jurisdictions providing that it is appropriate given tax, legal and regulatory considerations.

There is full disclosure to clients that such referrals may take place, clients would give permission before they are referred to a different company within the group and no commissions or fees are received between companies within the Group for such referrals.

SFIM receives referrals from the following group companies:

- Stonehage Fleming Wealth Planning Limited is a U.K.-based firm that works with clients to put in place financial plans both for individuals and family groups. The firm is authorized by the UK Financial Conduct Authority to provide advice across investments, pensions and insurance. The firm considers the full range of options in the market to best meet client needs. Stonehage Fleming Wealth Planning may refer clients to SFIM or place clients into SFIM managed strategies and funds. No commissions or fees are received for such referrals. Stonehage Fleming Wealth Planning Limited does not intend to offer its services to U.S. clients.
- Stonehage Fleming Financial Services Limited, authorized in the U.K. by the Financial Conduct Authority, is a U.K.-based Family Office Company. It provides a full range of high quality administration services for clients. The firm helps clients to run bank accounts, operate companies and trust structures, and manage properties, art collections, aircraft, boats and philanthropic foundations. The firm supports clients in all transactions, including buying or selling businesses, investments, properties, art or leisure assets. The firm ensures everything is correctly processed and documented and that all the necessary information is available in the form clients want it - to help them make decisions on a day-to-day basis. There are similar entities in all of the geographies in which Stonehage Fleming operates. If Stonehage Fleming Financial Services Limited's family office clients seek an investment service, they may be referred to SFIM if that is appropriate to their circumstances. Stonehage Fleming Financial Services Limited does not intend to offer its U.K. family office services to U.S. clients.
- Stonehage Fleming Advisory Limited ("SFA") is authorized in the U.K. by the Financial Conduct Authority as a Corporate Finance Business with an experienced Team that provides independent corporate finance advice to shareholders and companies at every stage of the corporate lifecycle, from acquisitions and capital-raising through to disposals and liquidity events. The Team also advises clients on their direct investments and will introduce, structure, and monitor direct investments into private companies on their

behalf. SFIM may refer its clients to SFA where their direct investments are suitable for the clients' investment objectives and risk profiles. SFIM may refer clients to SFA. As with all other cross Group referrals, there are no fees or commissions involved. Stonehage Fleming Advisory Limited does not intend to offer its services to U.S. clients.

- Stonehage Fleming Wealth Services Limited (“SFWS”) is a UK based firm that provides discretionary management and financial advice to clients in the UK. SFWS is supervised by the Financial Conduct Authority. SFWS may refer clients to SFIM or place clients into SFIM managed strategies and funds. No commissions or fees are received for such referrals. SFWS does not intend to offer its services to U.S. clients.
- Stonehage Fleming Investment Management (Suisse) AG (“SFIMCH”) is a Swiss based firm that provides discretionary management and financial advice to clients in Switzerland. SFIMCH is supervised by the supervisory organization AOOS (Zurich). SFIMCH may refer clients to SFIM or place clients into SFIM managed strategies and funds. No commissions or fees are received for such referrals. SFIMCH does not intend to offer its services to U.S. clients.
- Stonehage Fleming Investment Management (South Africa) (pty) Ltd (“SFIMSA”) is a South African based firm that provides discretionary management and financial advice to clients in South Africa. SFIMSA is supervised by the Financial Sector Conduct Authority. SFIMSA may refer clients to SFIM or place clients into SFIM managed strategies and funds. No commissions or fees are received for such referrals. SFIMSA does not intend to offer its services to U.S. clients.
- Stonehage Fleming Dealing and Treasury Services (Jersey) Limited (“SFDT”) is a Jersey based firm that provides discretionary management and financial advice to clients in Jersey. SFDT is supervised by the Jersey Financial Services Commission. SFDT may refer clients to SFIM or place clients into SFIM managed strategies and funds. No commissions or fees are received for such referrals. SFDT does not intend to offer its services to U.S. clients. From time to time SFIM will suggest or recommend custodians to certain clients, including (with respect to non-U.S. clients) SFDT.
- Stonehage Fleming Law Limited is a UK law firm that provides legal advice to families. The legal and tax areas they cover includes but is not limited to trusts, estates and succession planning, cross border taxation, foundations, wills, philanthropy and charity, and family governance. SF Law and SFIM may refer clients to one another. Stonehage Fleming Law Limited does not intend to offer its services to U.S. clients.
- Stonehage Fleming Law US (also trading under Peter Rosenberg & Partners LLC), is a law firm based in Philadelphia. The firm represents fiduciaries and beneficiaries in the administration of trusts, estates and other United States entities. The firm also provides tax and wealth transfer planning services for high net worth individuals within and outside the United States. SF Law and SFIM may refer clients to one another. SF Law may refer US clients who need investment advisor services. SFIM may occasionally refer its clients to the law firm for certain legal matters, such as corporate structuring or cross-border tax matters. Clients are under no obligation to act on these referrals and will sign a separate client engagement letter which each entity . SFIM does not receive any referral fees or other direct or indirect compensation in connection with referring its

clients to the law firm. The Firm does not consider this arrangement to present a material risk of a conflict of interest.

- Exmoor Fiduciary Limited (“Exmoor”) is company based in the UK that provides trust and associated family office services to its clients. Exmoor may refer clients to SFIM. Exmoor does not intend to offer its services to U.S. clients

SFIM’s investment adviser affiliates may provide advice to their clients with respect to strategies that are similar to strategies offered by SFIM and those investment advisory affiliates may purchase on behalf of their clients the same securities that SFIM may purchase for its clients. As a result, interests of SFIM’s clients may conflict with the interests of clients of SFIM’s investment advisory affiliates.

Stonehage Fleming also recommends or selects other third-party investment advisers where this meets the client’s needs and objectives. SFIM does not receive any referral fees or other direct or indirect compensation in connection with recommending or selecting other third-party investment advisers for client portfolios.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

SFIM has adopted a Code of Ethics (the “Code”) that outlines the Firm’s principles of integrity, competence and fairness. The Code was adopted in accordance with Advisers Act Rule 204A-1 to govern, among other things, personal transactions by all access persons, and to ensure that the interests of access persons do not conflict with the interests of clients. The Code provides employees with guidelines on a range of activities including personal account dealing, gifts and entertainment, conflicts of interest, and how to report Code breaches.

The Code of Ethics policy sets forth SFIM’s professional expectations of its personnel. It imposes a duty of confidentiality to clients and the firm, requires directors to declare any outside business interests and directorships and prohibits trading on material non-public information. It also includes a Gift, Hospitality and Entertainment Policy and an Anti-Bribery and Corruption Policy that are designed to provide reasonable oversight of potential conflicts associated with the receipt and giving of entertainment and other gifts. The Code explains how staff should report Code breaches. A copy of the Code is available to all clients or prospective clients on request. The Firm’s contact information appears on the cover page of this Brochure.

SFIM staff and their connected parties may buy or sell for their own account the same securities, in which SFIM invests on behalf of clients, or buy or sell interests in funds that SFIM manages on a discretionary basis. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for a client. The Code and related policies and procedures are designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that SFIM effects transactions for clients in a manner that is consistent with the Firm’s fiduciary duty to its clients and in accordance with applicable law. Therefore, the personal investing activities of all employees must be conducted in a manner to avoid potential conflicts of interest, or the appearance of potential conflicts of interest, with the Firm’s clients and the Firm itself. SFIM maintains a strict policy whereby employees are not allowed to deal ahead of a client. All relevant personal account transactions require prior clearance. New employees are required to confirm that they will comply with SFIM’s personal account dealing policy. Staff complete regular attestations confirming their compliance with the personal account dealing rules. The Risk & Compliance Team carries out regular reviews of personal account transactions to ensure that the procedures are followed and that there are no Code or other compliance violations.

From time to time, SFIM and its related persons may come into possession of material non-public and other confidential information that, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, SFIM and its related persons may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is an SFIM client. Accordingly, should such persons come into possession of material non-public or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, their respective clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, their clients. SFIM has adopted a Market Abuse policy in accordance with Advisers Act Section 204A which establishes procedures reasonably designed to prevent the misuse of material non-public information by SFIM and its officers, directors, trustees and employees, and to aid SFIM in detecting and imposing sanctions against insider trading.

Among other things, the policy prohibits dealing for client accounts, funds or personal account transactions while in possession of material non-public information.

Where employees do come into possession of material non-public or other confidential information on a company, they are required to declare this to the Risk & Compliance Team. A restriction is placed on the dealing system so that no trades can be placed for client portfolio or fund. The compliance Team maintains a restricted securities list. This prevents anyone from trading on material non-public information on personal transactions. The Risk & Compliance Team maintain a log of all those who have been made aware of material non-public information. A new system is being implemented which will review all trades, including personal transactions for potential market abuse.

SFIM does not engage in cross-trades across client portfolios.

SFIM may recommend that a portfolio invest a portion in a suitable fund for which SFIM acts as investment adviser. In such a case, the investment fund must also meet the client's investment objective and be suitable for their particular risk profile and circumstances. This practice gives rise to an additional conflict of interest because SFIM is paid an asset-based fee.

SFIM does not trade in securities as principal, or effect transactions for any person other than for a client. Securities are transacted with approved brokers or custodians acting as an agent on behalf of a client.

Unless a client directs us to use a specific broker or custodian, SFIM will select brokers to execute securities transactions on client portfolios based on the full range and quality of the broker's services, including but not limited to execution capabilities, commission rates, their capability in a particular market, region or security, communications and administrative functions. We may have other business dealings with brokers that we use to transact securities. For example, we may own shares of the broker or its affiliates in client portfolios, we may provide investment management services to the broker or its affiliates, or the broker may refer potential clients to us. It should be noted that SFIM does not receive soft dollar credits or commissions from brokers. We pay brokers directly for any research they provide and we regard this as a separate service from brokerage.

All SFIM directors are required to declare any outside business interests including directorships held with other companies. A list of all such interests is presented at each board meeting for review.

Investment decisions may be implemented in more than one account in similar mandates at the same time. SFIM has an Order Allocation and Aggregation Policy and related procedures that ensure all clients are treated fairly in these circumstances. The aim of our allocation approach is to create a fair and objective allocation of executions to accounts over time. The basic principles are:

- Allocation must be fair.
- In most cases, the aggregated order is pre-allocated to all accounts (bulk order) so that all client accounts receive the same price(s) for the transaction(s) and at the weighted average price achieved where an order is executed in multiple tranches at various prices.



- However, there may be occasions when pre-allocation is less advantageous to an individual client for a specific order. Deviations from the general rule may be permitted in the following circumstances:
  - Where clients would not benefit from aggregated orders (e.g. illiquid stocks)
  - Where the number of securities traded are too small to be reasonably allocated to all clients (for example allocations would be less than tradeable round lot size for a security), they will be allocated to a reduced set of accounts such that the allocation will be relevant and reasonable. The reduced set of accounts will be chosen by removing the smallest accounts
  - Local market or regulatory requirements mean that aggregation is not possible
  - The orders do not follow the same trading strategy (e.g. limit orders cannot be combined with non-limit orders)
- Where there is partial execution, the order is allocated pro rata to participating accounts (subject to some minimum allocations which are uneconomic or inefficient).
- Unfilled orders should be carried through to the next day and aggregated with any new orders.

There are exceptions that may prevent SFIM from aggregating client orders:

- Where a transaction has been determined by the SFIM Investment Committee not to be predictably advantageous if implemented for some clients before or after other clients.
- Where the Fund or Investment Manager is delaying a final trading decision.
- Where client transactions are implemented by a third party, such as the client's chosen custodian, such trades cannot be aggregated with trades implemented by SFIM.

Before trading on an Advisory account, approval must first be sought from the client. The investment manager must assess, on a case-by-case basis and in line with the Firm's established procedures, whether a proposed trade is suitable for a particular account, before any client is included in a bulk order. If the client provides instructions beyond the cut-off point, or does not provide any instructions, but later wishes to engage in a recommended trade, it will be necessary for that client to trade outside of the bulk order.

## **ITEM 12: BROKERAGE PRACTICES**

SFIM works with a number of brokers across all asset classes to ensure the best possible result for clients when executing orders. When deciding which broker to place a particular trade with on behalf of a client, SFIM seeks best execution and considers a number of factors, described in more detail below.

SFIM is required to take all sufficient steps to obtain, when executing orders, the best possible results for our clients taking into account the execution factors. The execution factors to be taken into account are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. When executing client orders, we will take into account the following criteria for determining the relative importance of the factors:

- the characteristics of the client
- the characteristics of the client order
- the characteristics of financial instruments that are the subject of that order
- the characteristics of the execution venues to which that order can be directed

For clarification, the best execution rules apply when executing orders or placing orders with or transmitting orders to other entities to execute.

We do not treat Retail Clients and Professional Clients differently, as the nature of services we offer across our client base is typically the same. As a result, for most of our clients the best possible result will generally be determined in terms of the total consideration for the transaction, representing the price of the financial instrument and the cost related to execution. However, speed of execution, likelihood of execution, timeliness of settlement, the size and nature of the order and market impact may affect the eventual transaction price. While price is often the most important execution factor, there will be situations when this is not the priority when executing a trade:

- for less liquid stocks, the likelihood of execution and provision of liquidity may be more important than price
- when raising cash to fund portfolio outflows, speed may take priority over price
- the volatility of price may make timeliness a greater priority
- the choice of execution may be limited to one venue for certain instruments

After weighing the totality of these factors, the Firm will select the broker that, in its opinion, is best suited to execute that particular trade.

**Soft Dollar Benefits:** SFIM does not receive any soft dollars or commissions and does not receive any referral or incentives to trade with any specific brokers.

**Directed Brokerage:** When we follow the client's instructions to trade through a custodian or broker they have chosen, then our best execution obligations to the client will be limited as we have no discretion to influence the trading outcome. We may be unable to achieve the most favourable execution of client transactions and it may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or the client may receive less favourable prices. We do not routinely recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

**Trade Aggregation and Allocation:** SFIM has an Order Allocation and Aggregation Policy and procedures that ensure all clients are treated fairly in these circumstances. The aim of our allocation approach is to create fair and objective allocation of executions to all portfolios over time. Further detail on this is set out in *Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*.

### **ITEM 13: REVIEW OF ACCOUNTS**

Client accounts (portfolios) are subject to a number of periodic reviews and undergo an additional off-cycle review if a “trigger” event occurs.

All client portfolios will be reviewed for suitability on at least an annual basis. This includes establishing whether the clients’ personal circumstances have changed and their investment objectives are reviewed in case any adjustments should be made to the portfolio as a result of a change in risk appetite or other circumstance. Clients are responsible for updating the portfolio manager on any changes in their circumstances. Every relevant client meeting or communication is recorded.

Client Relationship Managers know their clients well and review their portfolio holdings and asset allocations regularly, including on a quarterly basis when written valuation reports are sent out, which include a list of holdings, trades and valuation. In addition a contract note is sent to clients for non-discretionary portfolios.

Additional reviews will usually be conducted if a “trigger” event occurs. Trigger events can be, but are not limited to the following: a change in personal circumstances (e.g. marriage / divorce, change to country of domicile), a change in corporate directors / trustees, or a restructuring.

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

SFIM does not receive an economic benefit from anyone who is not a client for providing discretionary or non-discretionary services to SFIM clients.

SFIM does not currently compensate any third parties in connection with referrals of clients based in the United States. In the UK and EU, SFIM has a small number of relationships with introducers where SFIM may pay compensation to the introducer for client referrals. In all cases, SFIM follows the UK rules on inducements and conflicts of interest to ensure that there is no detriment to clients arising from these arrangements. SFIM only deals with introducers who are regulated in their jurisdiction and any fees payable to the introducer are disclosed to clients. Introducers are usually paid a percentage of the SFIM management fee, with this being paid directly by SFIM. No payments will be made from client portfolios.

As a result of the arrangements described in the prior paragraph, these firms and their personnel may believe they have a financial incentive to give favourable evaluations of SFIM and may therefore operate as if they are faced with a conflict of interest. However, SFIM designs such interactions such that the relationship does not impair compliance with its duty to act in the best interest of its clients. In particular, SFIM will only pay introducer's fees where the arrangement is: (1) In the client's best interests, (i.e., it should not influence SFIM to act in a way that is not honest, professional and fair); and (2) designed to enhance the quality of service to the client. This means that all of the following provisions must be met:

- There must be the provision of an additional, or higher level of service by the Introducer to the client (e.g. the Introducer assessing asset allocation, and continuing suitability of the client's investment with SFIM, or the provision of tax advice, or trustee services)
- The payment does not directly benefit the Introducer without tangible benefit to the client (e.g. the Introducer attends client meetings and continues to support the relationship, offering their client gatekeeper services, or tax advice)
- The benefit is justified by an ongoing benefit to the client (e.g. the Introducer providing regular investment reports to the client in return for a recurring fee)
- The service provided is not distorted by the payment (e.g. any fees charged to the client by SFIM must be in line with any standard tiered fee schedule used by the business).

## **ITEM 15: CUSTODY**

SFIM does not take physical custody of any client assets. The assets within client's portfolios are generally held by the client's own custodians and are registered in the custodian's nominee name. The custodian typically has the power to appoint a sub-custodian. The ownership of cash and equity holdings is segregated from the custodian's own account, and registered, and held separately in trust for the beneficiary of the client. SFIM does not have access (other than for trading) or any authority to register or instruct custodians to register securities or transfer cash into its own name or another nominee name. Although SFIM does not have physical possession of client assets, when the Firm's clients permit or instruct SFIM to deduct its management fees directly from their custodial accounts, the SEC deems SFIM to have custody over the assets of those clients.

For US based clients, if SFIM is deemed to have custody over the clients portfolio they will receive account statements from the custodian (on a quarterly basis) indicating the amounts of any funds or securities in the portfolio as of the end of the statement period and any transactions in the account during the statement period. The client should carefully review these statements. Additionally, the client should contact us immediately if you do not receive account statements from their custodian on at least a quarterly basis.

Where SFIM's fees are deducted from the client's custodial account, the statements will show those deductions, among other information. As described in *Item 13: Review of Accounts*, SFIM also provides statements or reports to its clients. Some of the types of information SFIM provides in those statements or reports are comparable to information in the account statements clients receive from their custodians. Clients should compare the account statements they receive from their custodians with the statements that they receive from SFIM, and alert SFIM to any differences.

**Custodian directed by SFIM:** From time to time SFIM will suggest (direct) custodians to certain clients, including (with respect to non-U.S. clients) another entity owned by the Stonehage Fleming Group, called Stonehage Fleming Dealing and Treasury Services (Jersey) Limited. Some of the directed custodians will carry out all dealing for clients, either acting as broker as well as custodian or routing the order to their universe of brokers. When deciding which custodian to suggest, SFIM will consider the financial standing of the custodian, dealing connectivity, reporting capabilities, tax reporting capabilities, risk and compliance considerations, and account size. Clients have a contractual relationship with the custodian and will be responsible for their appointment.

**Client Appointed Custodian:** The Client can appoint a Custodian. SFIM will not undertake due diligence on the custodian for the client, and the client must be satisfied that the custodian meets their needs and that they have understood any risks. The Client will need to ensure that SFIM is given a mandate to provide instructions to the Custodian on the Client's behalf.

Custodians are responsible for carrying out all FX and FX forward transactions on behalf of clients.

#### **ITEM 16: INVESTMENT DISCRETION**

As agreed with the client, the portfolio is managed on a discretionary or non-discretionary basis in line with the client's investment objectives and risk profile, both of which are assessed at the start of the relationship and periodically thereafter. In either case, clients are able at any time to place investment restrictions and guidelines on their portfolio. The clients' individual investment management agreement and/or any side letters govern SFIM's discretionary authority and limitations with its clients. In addition, various securities and tax laws, as well as internal compliance policies may impose additional restrictions on the investments that may be made by clients. Any of the above limitations may impact the potential returns of client portfolios.

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

### **Discretionary Portfolios**

SFIM has a Voting and Engagement Policy that describes how SFIM integrates shareholder engagement into its investment strategy, and its approach to monitoring and conduct, dialogue with investee companies, exercise of voting and other rights, shareholder cooperation, conflicts of interest and record keeping. This Policy applies to the shares of companies (securities) traded on a regulated market and managed by SFIM on a discretionary basis for the GBI Strategy (it does not apply to non-discretionary portfolios). A copy of the Policy is available to all clients or prospective clients on request. The Firm's contact information appears on the cover page of this Brochure. A copy of the Policy can also be obtained on the Firm's website: <https://www.stonehagefleming.com/legal>

For the GBI Strategy when deciding how to vote, the Firm will consider its Voting Policy and the recommendation of the Management Team of the investee company. The Firm will also consult third party information sources including the services of proxy advisors, such as Glass Lewis. SFIM will consider all information in order to draw its own conclusions on each vote and will not default to follow either Management Team of the investee company or proxy advisor recommendations. The cost of information for these votes, including the use of proxy advisors, is paid for by SFIM. The cost of executing votes is born by the client as part of their custody fee. Clients are generally not permitted to direct how SFIM votes specific securities. Clients can request information on of how SFIM has voted on their behalf. SFIM does not reach out to clients and ask them how to vote.

SFIM may encounter conflicts of interest related to its stewardship activities. For the GBI Strategy, issues may arise where SFIM determines that there is a material conflict of interest. In such instances SFIM will notify the specific client of its specific voting intentions. If there is disagreement between SFIM's voting intention and the wishes of the individual client, SFIM will abstain from the specific vote for that specific client. SFIM will also consult the Stonehage Fleming group conflicts interest policy and may take further action if required.

### **Non-Discretionary Portfolios**

SFIM does not have proxy authority for non-discretionary portfolios. Non-discretionary clients should receive proxy solicitations from their custodian or transfer agent. In such situations, SFIM will not provide any advice on proxy voting.



#### **ITEM 18: FINANCIAL INFORMATION**

SFIM does not have any financial condition that is reasonably likely to impair its ability to meet its contractual and regulatory commitments to clients. SFIM does not require and does not accept pre-payments of fees. SFIM is not subject to any bankruptcy proceeding nor has it been at any time since the Firm was incorporated in 2001.