Cape Ann Asset Management Limited

Best Execution Policy

The Investment Manager is solely responsible for managing the trading activities of its various privately offered commingled and segregated account clients (its "Clients"). Each Client has been classified as a professional client for the purposes of UK Financial Conduct Authority ("FCA") rules. The Investment Manager invests principally in publicly traded developing market equity securities. In doing so, the Investment Manager recognises its obligation to take all sufficient steps to obtain, when executing orders, the best possible results for the Clients when executing transactions on its behalf. This Order Execution Policy (the "Policy") provides information concerning policies and procedures on execution, order handling and certain related issues. This Policy is intended to comply with the applicable rules of the FCA and the US Securities & Exchange Commission, including the disclosure requirements of Directive 2014/65/EU (commonly referred to as MiFID II). Required quantitative data is included at Appendix 1 regarding venue selection and Appendix 2 regarding the costs and charges associated with investment. The procedures that Cape Ann follows when executing foreign exchange are described in Appendix 3.

Trading approach and execution venues

Security trades are typically executed on regulated markets accessed through third party brokers who may place their orders with market makers. Clients should note that transactions may be executed outside a regulated market or multilateral trading facility, such as on a market or trading facility in a non-EU country or with a systematic internaliser (i.e. an investment firm dealing on its own account in an organised, frequent, systematic and substantial basis).

The Investment Manager is not affiliated with any broker. The Investment Manager may, subject to this Policy, select brokers in its sole discretion to execute the Client's transactions. The Investment Manager looks to select brokers that show demonstrated capabilities to obtain best execution. A list of approved brokers is maintained and all approved brokers are subject to a specific contractual obligation to achieve best execution.

All trades are ordinarily completed through these brokers. Before any broker is approved, separate terms of business must be signed. These terms of business are typically specific to the Investment Manager, and the Investment Manager looks to deal with issues such as counterparty risk, cross collateralisation and liability standards. These ordinarily remove, for example, the ability of a broker to offset one client's settlement obligations with proceeds for another client and have enhanced standards of care (negligence rather than gross negligence).

Execution factors

In selecting brokers, the Investment Manager seeks the best combination of price and quality of execution services, after considering factors that may impact the transaction. Price, including commission costs, is typically the most important factor considered in executing trades. In addition, the Investment Manager has regard to:

- Spread Capture: typically a large proportion of orders are executed at the mid-point in the spread or at prices more favourable to the Clients. On occasion the spread may be crossed in order to access liquidity and in markets where there are particularly high spreads or sharp price movement, spread capture may appear worse on a relative basis. Latency may also impact spread capture statistics; and,

- Percentage of Average Daily Volume: As a general rule, the Investment Manager looks to ensure that trades executed on behalf of the Clients do not account for more than 30% of average daily volumes on a primary exchange in order to avoid placing pressure on market pricing as a result of higher levels of participation. Higher volumes may be traded where the Investment Manager interacts with a natural, larger counterparty or interacts actively with dark liquidity.

Monitoring of best execution in practice

The Investment Manager monitors its compliance with the Policy through:

- Intra-day/intra-trade monitoring: Cape Ann's dealers use Indata's iPM Manager (Cape Ann's order management system) to monitor trades at the individual fill level for most markets. Cape Ann's dealers also compare this information to other live sources (e.g. Bloomberg).

- Post-trade monitoring: Trade administration processes to review individual trades on execution. On a daily basis, a key consideration is the limit adjusted interval volume weighted average price ("LAIVWAP") for each stock and a comparison with the open, close, high, and low price.

- Performance monitoring: Periodic reviews of execution quality using trade analytics data provided by each approved broker and further analysed by the Investment Manager.

- Compliance risk reviews: Periodic retrospective risk monitoring reviews of trades on a sample basis to ensure execution and settlement accord with established policies and standards.

- Periodic Reviews: Quarterly reviews of broker credit ratings and broader periodic reviews, meetings and ongoing monitoring of news flows to ensure the minimum standards of prudence for inclusion on the approved broker list is met on an ongoing basis, taking account of best execution and settlement issues.

Dealing commissions and inducements

Execution only dealing commissions are paid directly by Clients. The Investment Manager is responsible for negotiating rates paid in connection with transactions it effects on behalf of the Clients and may determine to pay commissions or mark-ups in excess of that which another broker might charge for effecting the same transaction, in recognition of the quality of the execution services provided by the broker. Commission rates are generally subject to periodic reappraisal. The Investment Manager typically agrees a standard commission rate in each market across all brokers. This minimises potential conflicts of interest that can arise when different brokers charge different commission rates for trading the same securities. The Investment Manager does not share, directly or indirectly, in any of the revenues generated by the Clients' brokerage transactions. The Investment Manager does not pay "soft dollar" commissions and/or receive "soft-dollar" benefits from brokers. Goods or services that, if received without payment could be deemed "soft dollar" benefits or "inducements" (such as broker research and transaction cost analysis of executed trades) are paid for in full by the Investment Manager out of its own financial resources.

Directed brokerage and Commission Recapture

The Investment Manager does not participate in commission recapture or directed brokerage arrangements and Client unitholders are not permitted to direct the Investment Manager to use or allocate commissions from any broker.

Allocation of investment opportunities

The Investment Manager endeavours to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities among the Clients. Other than as set forth in its fund legal documents, client investment management agreements and its Code of Ethics, the Investment Manager is under no specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Clients, or subject to any restrictions on the nature or timing of investments for the account of Clients or the Investment Manager's own account. The Investment Manager is not required to accord exclusivity or priority to any one client or group of clients in the event of 'limited availability' investment opportunities.

Order handling and aggregation

Client orders are recorded and allocated promptly and accurately. When the Investment Manager determines that it would be appropriate for more than one Client to participate in an investment opportunity, the Investment Manager seeks to execute orders for all of the participating Clients on an equitable basis. The Investment Manager may combine an order with those of other Clients where the Investment Manager considers it is unlikely that the aggregation of orders will work overall to the disadvantage of the Clients concerned. Clients should be aware that combining orders may, on occasion, work to their disadvantage. In such circumstances, however, the Investment Manager will attempt to minimize any such disadvantage.

If the Investment Manager has determined to invest at the same time for more than one Client, the Investment Manager may place combined orders for all such Clients simultaneously. The Investment Manager anticipates that the substantial majority of these trade executions will be allocated in a pro-rata manner. In circumstances where the Investment Manager determines that this pro rata allocation methodology may not be in a Client's best interest, the Investment Manager may, in its reasonable discretion, make an adjustment to the pro-rata allocation. This may occur where there is insufficient cash on hand to settle an allocated order or satisfy certain future commitments. This may also occur if an overdraft occurs as a result of accepting a commitment to purchase the allocated securities or unnecessary costs or charges related to trading or settlement will be suffered. In these situations, the Investment Manager will use its reasonable judgement to determine an allocation methodology. In other situations, a larger allocation of shares may be made if, for example, an additional allocation is required to clear a Client's negative cash balances or to raise funds to satisfy future commitments. Where the Investment Manager elects to participate in initial public or secondary offerings, governmental privatizations or other similar events, all allocations are undertaken on a strict pro rata basis taking into account minimum trading sizes and other regulatory restrictions. Situations may occur where a Client could be disadvantaged because of the investment activities conducted by the Investment Manager for other accounts.

To facilitate the subscriptions and redemptions of unitholders and to minimize liquidity risks to the Clients, the Investment Manager may utilize program or block trades. Program and block trades involve directing a broker to trade a large number of securities at a specific point in the day (for example, at market open or close) or over the course of part or all of the trading day. The broker may also be asked to guarantee that a specific price can be obtained for the security purchases or sales (for example, the volume weighted average price of a security during the trading day, the opening price or the closing price). Additional charges or increased spreads may be payable by the Clients to facilitate these program or block trades. The Investment Manager does not use stop loss orders as part of its trading methodology.

Personal Account Dealing

Except as allowed under the narrow circumstances set out in its Compliance Manual, no personal account dealing or principal trading is permitted. Cape Ann has no obligation to purchase or sell or to recommend for purchase or sale for a Client any securities that Cape Ann, its legal members, employees and/or contactors may purchase or sell for its or their own accounts or for the account of any other Client.

Cross trades

Subject to ERISA or other applicable laws, to reduce transaction costs, rebalance investment portfolios or for other reasons, the Investment Manager may cause a Client to enter into cross transactions directly with other Clients for which the Investment Manager also acts as a discretionary investment manager that primarily invests in developing market equity securities. This normally occurs where inflows into one Client coincide with outflows from other Clients. In the event the Investment Manager causes the Client to purchase securities from or sell securities to other Clients, the Investment Manager will use its best efforts to mitigate potential conflicts of interest by causing such transaction to ordinarily occur at the then prevailing market price of the applicable securities and by considering the interests of all Clients. The Investment Manager may use brokers to facilitate these cross transactions and/or execute such cross transactions "off-exchange" through The Northern Trust Company (the "Northern Trust) without using a broker. No commissions are paid when the cross trades are executed "off-exchange" through Northern Trust. The Investment Manager will provide details of Client crossing activity on a quarterly basis on written request.

Review and Amendment of this Policy

The Policy is reviewed at least annually by the Investment Manager's Dealing Group as well as when a material change occurs that affects the Investment Manager's ability to execute orders in accordance with the Policy. The Investment Manager will notify Clients of any material changes made to this Policy resulting from these reviews.

Appendix 1

Client Type	Interaction	Class of Instrument	Period Start	Period End	<1 average trade per business day in the previous year
Professional	Placement/transmission	Equities – shares & depositary receipts	01/01/2020	31/12/2020	N
Top Five Brokers	**Proportion of volume traded as a percentage of total in that class**	**Proportion of orders executed as percentage of total in that class**	**Percentage of passive orders**	**Percentage of aggressive orders**	**Percentage of directed orders**
Morgan Stanley (4PQUHN3JPFGFNF3BB653)	34.84%	32.37%	0	0	0
Macquarie (S4KBWIDUNMSCJ2TZ1F55)	15.33%	13.96%	0	0	0
Instinet Europe Ltd (213800MXAKR2LA1VBM44)	13.74%	11.52%	0	0	0
CLSA (UK) Ltd (213800VZMAGVIU2IJA72)	12.45%	9.85%	0	0	0
Renaissance Capital Limited (213800RZ3GCUXMBGYN59)	11.76%	13.82%	0	0	0

Cape Ann provides this information under the requirements of COBS11 of the FCA's Handbook of Rules & Guidance regarding the 2020 calendar year. This disclosure qualifies as Cape Ann's RTS 28 report.

Appendix 2: Cost Transparency Disclosure
Cape Ann Global Developing Markets Programme

Item	2020 (bps)	2019 (bps)	Description	Examples	Footnote
One-off charges	0	0	All costs and charges included in the price or in addition to the price paid to product suppliers at the beginning or at the end of the investment	Front-loaded Management Fee Structuring Fee Fund Initial Charge Fund Redemption Charge Fund Switching Charge	N/A
Ongoing management fee	118	117	Annual Management Fee		1
Ongoing charges	0	0	On-going costs and charges related to the management of the commingled funds that are deducted from the NAV over and above the management fees.	Audit Fees Custodian Fees Directors Fees Formation Fees Guarantor Fees Legal Fees Other Fees Registration Fees Risk Transfer Fees Service Manager Fees Sub Registrar Fees Trading Interest Fees Trading Stock Borrow Fees Trading Swap Financing Fees Trading Other Fees Broker/Third Party Research Data Costs	2
Ongoing transaction costs	13.5	14	Costs and charges incurred as a result of the ongoing acquisition and disposal of investments.	Market Commission Exchange Fees Clearing Charges Futures Clearing Exchange Clearing Exchange Execution PTM Levy Fund Dilution Levy Implicit Spread Costs Stamp Duty	3
One-off transition costs	0	0	Costs and charges incurred as a result of the initial transfer of assets into a commingled fund.	Market Commission Exchange Fees Clearing Charges Futures Clearing Exchange Clearing Exchange Execution PTM Levy Fund Dilution Levy Implicit Spread Costs Stamp Duty	4
Incidental costs	0	0	Any additional costs	Performance & Incentive Fees Carried Interest	N/A
	131.5	131			

1. The management fees disclosed under “ongoing management charges” represent the average management fee paid by all of Cape Ann’s clients. The actual investment management fees paid by individual clients will depend on the level of AUM they have invested with Cape Ann and may be higher or lower than the average. Actual fees paid are set out on each client's individual client statement. Cape Ann believes that having a single fee scale in place provides for fairness and simplicity across its entire client base. All clients are subject to the same fee scale regardless of the date they initially invested with Cape Ann. Cape Ann’s standard fee scale per account per annum is: (i) 1.25% for the first $50 million; (ii) 1.15% for the next $50 million; (iii) 1.00% for the next $100 million; and (iv) 0.90% for amounts thereafter.

2. Cape Ann’s investment management fee scale includes costs associated with custody, fund administration, legal, tax and fund audits. All security trades are done on an execution only basis. Costs associated with broker research are paid directly by Cape Ann out of its investment management fees. Cape Ann has negotiated a foreign exchange trading agreement with Northern Trust. In exchange for Northern Trust developing, maintaining, monitoring and enhancing the foreign exchange algorithm (which Cape Ann utilises for trading client foreign exchange settlement obligations), operating the foreign exchange panel, providing balance sheet support to client foreign exchange trading, bearing the counterparty risks of trading with panel participants and providing TCA reporting, the funds pay Northern Trust a fee of 1.4 bps. No other mark ups, additional spreads or additional settlement charges are added to foreign exchange transactions. Cape Ann notes that, for most other commingled funds, these costs are charged on top of investment management fees and would be disclosed as "ongoing charges".

3. The "ongoing transaction costs" figure includes execution-only commissions on security trades, stamp duty, exchange fees and estimated market impact and implicit spread charges computed on a trade by trade basis. The figure also includes the estimated costs, such as bid-ask spreads, associated with trading foreign exchange to cover the programme’s settlement obligations. There has been no confirmation from the UK FCA on how “implicit spread costs” and/or “market impact” charges should be computed. Due to the nature of Cape Ann's trading activity, Cape Ann has taken account of the impact of trading limits, market momentum factors and general passive nature of its trading activity. This results in a nil market impact charge. For further information on gross costs associated with “implicit spread” and “market impact”, please contact clientservice@capeannam.com. The figures shown are reasonable proxies for the programme’s trading activity but can vary from year to year depending on the markets where Cape Ann invests.

   Broker commissions accounted for 6.5 bps of charges in 2020 and 7 bps in 2019. Market related charges, such as stamp duty and financial transaction charges, represented 7 bps in each of the past two years. These costs can vary significantly from year to year based on the level of overall portfolio turnover and the level of net investment into markets which impose significant charges on equity securities. The remaining charges relate to foreign exchange spread costs.

4. "One-off transition costs" are shown as zero. When assets are contributed into or withdrawn from a commingled fund, anti-dilution levies of up to 1.25% respectively can apply (or up to 5% in certain circumstances in the UCITS vehicle pursuant to legislative requirements). ADLs are credited to the respective commingled fund to compensate it for dealing expenses (brokerage commissions, stamp duty, market impact, bid-ask spreads, foreign exchange charges, market fees, etc.). The ADLs protect existing investors by ensuring the clients initiating a transaction bear the costs of their own contribution or redemption. These ADLs are not paid directly or indirectly to Cape Ann.

5. Performance: the performance figures in Cape Ann's monthly client statements, monthly newsletters and periodic client presentations are shown after deducting ongoing transaction costs (as described in 3 above). "Gross" performance figures are shown before deducting investment management fees (as described in 1 above). "Net" performance figures are shown after deducting investment management fees. Further information is available upon request.

Cape Ann provides this information under the requirements of COBS6 of the Handbook of Rules and Guidance of the UK's Financial Conduct Authority (which reflects the requirements of Annex II of the MiFID Delegated Regulation). The data relates to the investment programme as a whole; the costs associated with investment in a particular fund may vary dependent on the tax status of the fund in each jurisdiction in which the programme invests. All figures have been computed in USD.

Cape Ann Summary of Procedures for Trading Spot and Forward Foreign Exchange

Cape Ann Asset Management Limited ("Cape Ann") acts as investment manager to two privately offered commingled fund (the "Funds") which buy and sell securities on various stock exchanges around the world. This trading activity gives rise to settlement obligations in foreign currencies. The Funds also receive interest and dividend income in foreign currencies.

The Funds' custodial trustee, Northern Trust, acts as the primary counterparty to the Funds' spot and forward foreign currency contracts.

Spot foreign exchange transactions are normally executed using one of the following methods:

- For certain highly liquid non-restricted currencies (e.g., Mexico, South Africa or Hong Kong) using a foreign exchange trading algorithm, developed by Northern Trust, against a panel of counterparties. Alternatively, these currencies can be executed through direct negotiations with Northern Trust's foreign exchange desk;
- For restricted currencies (e.g., Brazil, India, Indonesia, South Korea, Taiwan) and some non-restricted currencies for which the algorithm is not available (e.g., Saudi Arabia), by Northern Trust or its sub-custodian pursuant to standing instructions; or
- Cape Ann has the capability to direct its counterparty broker to execute a covering foreign exchange transaction directly and to settle the security in US Dollars or another developed market currency. In such cases, Cape Ann will seek to obtain evidence from the broker of the rate achieved and the quality of the execution.

Non-restricted currencies

The Foreign Exchange Panel and Trading Algorithm

Cape Ann trades foreign exchange for certain highly liquid non-restricted currencies electronically using an algorithm developed by Northern Trust. Broadly speaking, the algorithm looks at the spot and forward currency rates offered by a panel consisting of some of the largest foreign exchange dealers, exchanges and liquidity providers in the world. Cape Ann sends foreign exchange trades to Northern Trust via Northern Trust's online portal. The algorithm will execute, subject to depth of liquidity, validity of quotes and anti-gaming constraints, foreign exchange trades on a "best bid, best offer" basis.

Although Northern Trust is legally operating as a matched principal, Cape Ann has asked Northern Trust to consider replicating an agency relationship for other structural purposes. To that end Northern Trust is not included in the panel of foreign exchange counterparties and is not an eligible foreign exchange counterparty for the trades (except with respect to *di minimus* balances). Information on Client transactions is not shared with Northern Trust's foreign exchange dealers. Northern Trust has implemented additional safeguards (such as locating the algorithm and trading system in a physically distinct area from Northern Trust's foreign exchange dealers with staff solely dedicated to supporting the algorithm assigned to the algorithm) on top of existing "Chinese Wall" procedures and software restrictions.

Cape Ann expects that the counterparties included in Northern Trust's foreign exchange trading panel will normally account for at least fifty per cent of the estimated average global daily volume of foreign exchange traded against various currency pairs. Cape Ann hopes that the spread of counterparties will provide for competitive pricing and the creation of a transparent foreign exchange market in which the Funds operate. Northern Trust remains the legal counterparty for all of the Funds' transactions undertaken using the algorithm and Northern Trust bears the financial risk of settlement if one of the members of the panel fails to meet their obligations.

As mentioned above, Northern Trust has agreed to use the algorithm to execute these spot foreign exchange transactions on a "best bid, best offer" basis, subject to depth of liquidity, validity of quotes and anti-gaming constraints. Exceptional circumstances which might prevent Northern Trust from using the algorithm include extraordinary volatility or instability in a specific market, such as would occur following the default by a government on its sovereign debt obligations, bankruptcy of a major financial institution, dissolution of a government established currency board, withdrawal from a common currency (such as the Euro), act of God or terrorist-related event of severe impact or other event or condition which causes extraordinary volatility or instability of a similar magnitude.

Northern Trust provides Cape Ann with transaction cost analysis ("TCA") reporting for each foreign exchange transaction conducted using the algorithm. This helps Cape Ann monitor the performance of the algorithm and the quality of quotes received from various panel participants. The Funds pay Northern Trust a fee of 1.4bps for each foreign exchange transaction conducted using the algorithm in exchange for Northern Trust developing, maintaining, monitoring and enhancing the foreign exchange algorithm, operating the foreign exchange panel, providing balance sheet support to the Funds' foreign exchange trading and bearing the counterparty risks of trading with panel participants. Cape Ann pays Northern Trust directly a fee of 0.1bps for providing the TCA reporting. No other mark ups, additional spreads or additional settlement charges are added to foreign exchange transactions executed for the Funds using the algorithm.

By creating competition amongst multiple market counterparties, Cape Ann hopes that the cost of trading foreign exchange will drop and tighter spreads will arise. It is also hoped that, over time, the lag between the execution of equity trades and the subsequent foreign exchange transaction that is necessary either to meet settlement obligations or to repatriate income can be minimised for the currencies traded using the algorithm. Finally, although it cannot totally control the risks of irresponsible behaviour, Cape Ann hopes that an automated, electronic trading environment segregated from trading desks and operated in a quasi-agency manner helps to reduce the risk of alleged collusion and market manipulation. All of these factors should benefit the Funds and their investors in the short, medium and long term.

The algorithmic trading environment and foreign exchange panel does not currently impact how Cape Ann trades restricted currencies (e.g., KRW, THB, TWD and MYR) which must ordinarily be traded directly with Northern Trust and/or its local sub custodians. Cape Ann is hopeful that these currencies can move, over time, into the panel/algorithm structure.

Illiquid Non-Restricted Currencies

Some non-restricted currencies may be insufficiently liquid to be executed via the foreign exchange trading algorithm (e.g., currencies traded in Botswana, Jordan and Morocco). Foreign exchange transactions for these currencies may be executed through standing instructions with Northern Trust. Alternatively, spot foreign exchange transactions for these currencies may be executed through direct negotiations between Cape Ann and Northern Trust's foreign exchange desk. Northern Trust will act as principal on any of these transactions and may profit from them. Cape Ann has asked Northern Trust to demonstrate that the transactions have been executed at rates that are substantially similar to those quoted by other counterparties at the time of execution. This may be done via Bloomberg or WM Reuters screen shots or TCA reports.

Trading in Restricted Currencies

Restrictions exist in some countries (e.g., Brazil, Columbia, India, South Korea, Malaysia, Nigeria, the Philippines, Thailand and Taiwan) that prohibit foreign exchange trading outside of exchange trading hours. In such cases, Northern Trust will trade spot foreign exchange directly during market hours with their counterparty.

Other markets (e.g., Vietnam and Nigeria) impose "pre-funding" requirements on spot foreign exchange transactions. This means that the Funds must hold sufficient local currency before buying an underlying equity security. Prior to distributing a "buy order", Cape Ann will ask Northern Trust to execute a spot foreign exchange transaction for the Funds during the next market trading session pursuant to standing instructions.

In both cases, Northern Trust notifies Cape Ann of the rate the Funds will receive, the time of the trade(s) as well as certain market data. In Taiwan, Malaysia and the Philippines, it has been market practice rather than regulatory requirements that has driven the pre-funding requirement and consequently Cape Ann has agreed that the Funds will cover any pre-funding requirements on a same day basis and to provide certain indemnifications to Northern Trust, thereby reducing Fund's exposure to foreign exchange volatility between the trade date of a security trade and the trade date of the covering foreign exchange trades.

Northern Trust has done significant work identifying the most liquid windows of time in each restricted currency market and Cape Ann's trades are executed during these windows unless otherwise requested by Cape Ann.

Northern Trust aggregates all client foreign exchange transactions that are trading a given restricted currency pair and whose instruction has been received before the Northern Trust cut off point on a given trading day. Northern Trust nets down the trades and instructs their relevant regional FX desk to execute a single net trade to cover all of their net client exposures. The regional FX desk obtains both a bid and an ask rate from their sub-custodian counterparty for each trade and will negotiate the rate if it believes that it is outside of current market ranges. Once the rate is agreed, Northern Trust will advise the counterparty which side their aggregate client orders sit. Northern Trust will then use the bid and ask rates given to them by their counterparty and apply these to client transactions.

While Northern Trust has an incentive to negotiate the actual rate for the net trade, they have a lesser incentive to negotiate the spread (e.g. the bid rate when a majority of clients by value are on the ask side). Cape Ann wanted to remove this conflict of interest. Cape Ann has agreed that the Funds will pay a 3.5bps fee to Northern Trust that allows the Funds to "cross the spread" where the Funds are not on the same side as a majority of Northern Trust's other clients by value. It also ensures that Cape Ann has full transparency on the negotiations of the rates and its clients have less exposure in case spreads widen significantly in various markets. This occurs regularly during periods of political turmoil, stock market volatility, etc.

Cape Ann also receives TCA reports from Northern Trust for substantially all of the Funds' restricted currency executions and uses these to monitor the performance of Northern Trust and its sub-custodians. Cape Ann pays Northern Trust a fee for providing this service out of its own management fees. Cape Ann believes that the 3.5bps mark-up is competitive given other spreads available in the market. Northern Trust has agreed not to charge any other mark up or administrative charge to the Funds with respect to these foreign exchange transactions.

Delays may occur in the execution of foreign exchange transactions if, for example, the underlying security transaction is not matched, underlying market procedures have not been completed or settlement has not taken place before relevant cut-off times established by Northern Trust, a sub-custodian, counterparty or market participant. This could lead to additional foreign exchange exposure and losses to the Funds.

Certain markets also delay the execution of foreign exchange transactions seeking to repatriate sale proceeds until the underlying equity trade has settled (or the day before settlement, for instance Taiwan and India). Such delays are typically caused either by a regulatory requirement (for instance a requirement in Brazil and Colombia to pay capital gains tax prior to repatriation) or established market practice. Where this occurs the Fund may be exposed to foreign exchange volatility. Cape Ann is working with Northern Trust and its sub-custodians to minimise this risk where possible. Recent efforts have enabled Cape Ann to reduce the delay on repatriating equity sale proceeds in markets including Brazilian Real, Colombian Peso, Malaysian Ringgit, Kenyan Shilling and Philippine Peso. Cape Ann hopes that these initiatives will be expanded to additional markets over time.

Trading Spot Foreign Exchange Directly

In addition to trading foreign exchange via the panel structure, foreign exchange algorithm and standing instructions, the Funds may also trade foreign exchange directly. In these situations, Cape Ann's Dealer will first establish where market prices are for a given currency pair. Cape Ann's Dealer will contact Northern Trust and negotiate a spot rate for various currencies pairs. Cape Ann monitors market rates and spreads for each transaction to ensure best execution using Bloomberg. We understand that smaller trades can be quoted by Northern Trust sales traders, while larger trades will be handed on to Northern Trust's market makers to quote a price. In our experience, Northern Trust's sales traders tend to offer the best bid/offer that their WM/Reuters screens show at the time, though they do have the authority to quote whatever they like. As a result, Cape Ann monitors these quotes carefully.

Unlike Cape Ann and most other investment advisers, Northern Trust's foreign exchange market makers are able to see the depth of the market for each currency pair (on a separate interbank quote system) and can see the best bid/offer and the size of transaction to which this relates. These rates are only valid for the size that other market makers are committing to and each bid/offer will state the size of trade accepted. For trades larger than those visible on the screen, the market maker will enter the proposed size into their market view software and the screen will interrogate the depth of the market then show them the new bid/offer based on this increased volume. Typically, the larger the trade, the larger the spread, though this is very much dependent on the currency pair – for instance EUR-USD is the most liquid pair and so it can generally withstand larger sized trades without widening the spread, ZAR-USD is historically much less liquid.

There are no pre-determined or pre-set spreads when trading spot foreign exchange. All bids and offers are dependent on the volume going through the market at any given time, so two identically sized trades may get different spread quotes based on what other volumes are in the market at any given time. We have been advised that trades executed by Northern Trust's sales traders are reported to Northern Trust's market makers who then take a stance whether to unwind the positions or to hold that currency pending finding an opposite trade to square their books and therefore leave them profiting from the bid/offer spread. There is no current regulatory necessity in either the UK or USA to report executed foreign exchange transactions to the market as a whole. The vast majority of the Funds' foreign exchange transactions are currently expected to be executed using the foreign exchange panel trading algorithm and standing instructions, rather than via direct negotiation.

Trading Forward Currency Contracts

It may not be possible to execute forward foreign exchange contracts for all markets in which the Funds invest. However, in the event that Cape Ann determines that it would be in the Funds' best interest to execute forward currency contracts, and it is possible to do so in the market concerned, these contracts will ordinarily be executed directly with Northern Trust. Any such transactions would be subject to the terms of an ISDA Master Agreement executed between Cape Ann and Northern Trust. To the extent required in order to comply with applicable regulatory requirements in the United States and the European Union, the Cape Ann and the Custodial Trustee will also enter into a fixed charge and one or more collateral support agreements ("CSA"). Cape Ann has agreed to pay the costs associated with entering into the ISDA Master Agreement and the CSA and any ongoing legal or similar operating costs associated with maintaining these underlying arrangements. Where unrealised gains exceed a given amount, Cape Ann may close out a specific contract, restate the positions at the close out price, pay an interest rate charge and bring gains forward in cash.

Forward contracts are normally traded in two separate stages:

- First, a spot foreign exchange transaction is executed. Cape Ann will first establish the market price of the given currency pair before contacting the Northern Trust. Smaller forwards may be executed immediately by Cape Ann using Northern Trust's foreign exchange desk. Some forwards, however, may be for larger amounts. Given the size of the transactions being undertaken, Cape Ann may direct the Northern Trust's foreign exchange trading desk to normally "work" these larger orders in the market. This can take several hours so as to seek to avoid disturbing market prices.

- A "points" adjustment is traded in substantially the same manner. A "points" adjustment is the amount by which a spot rate is revised to take into account the time delay for delivery of the foreign exchange and is generally assumed to represent the difference in the bilateral interest rates of two currency pairs. Cape Ann may execute forward contracts over three, six, nine or twelve months. Market liquidity is a significant factor in determining the length of the forward contracts as points adjustments can become expensive during times of market turmoil or where significant concerns exist over the strength of market counterparties. Cape Ann may not trade non-deliverable forwards for the Funds.