Aberdeen Frontier Markets Investment Company Limited

Alternative Investment Fund Managers Directive
Pre-investment Disclosure Document
Article 23 AIFMD/Rule 3.2 FCA FUND Sourcebook

11 December 2018

Aberdeen Frontier Markets Investment Company Limited

This document is issued by Aberdeen Standard Fund Managers Limited, as alternative investment fund manager of Aberdeen Frontier Markets Investment Company Limited (the "Company"), in order to make certain information available to prospective investors in the Company prior to their investment, in accordance with the requirements of the FCA Handbook implementing the EU Alternative Fund Managers Directive (Directive 2011/61/EU) in the United Kingdom. This document is being made available to investors on the Company's website: **www.aberdeenfrontiermarkets.co.uk**

Defined terms used in this pre-investment disclosure document can be found in section 20 below.

1. A description of the Investment strategy and objectives of the Company, types of assets the Company may invest in, Investment techniques and Investment restrictions

Information about the Company's investment strategy, policy and objectives, the types of assets in which the Company may invest, investment techniques and any investment restrictions are set out in the Annual Report which is available on the Company's website: **www.aberdeenfrontiermarkets.co.uk**

Investment objective
The investment objective of the Company is to generate long-term capital growth primarily from investment in equity and equity related securities of companies listed in, or operating in, Frontier Markets.

Frontier Market countries may include constituents of the MSCI Frontier Markets Index or additional countries that the Investment Manager deems to be, or displays similar characteristics to, Frontier Market countries.

Investment policy
The Company will seek to maximise total return and will invest globally in the securities of companies domiciled or listed or quoted in, or exercising the predominant part of their economic activity in, Frontier Markets.

A Frontier Market is defined as:
* any country that is a constituent of the MSCI Frontier Markets Index; or
* any country that in the view of the Manager shares similar characteristics to those of Frontier Markets (such as low per capita GDP, high growth potential or less developed capital markets).

The Manager may also invest in equity securities of companies that are listed or quoted in developed or emerging markets but have significant business exposure in terms of revenues, profits, assets or employees, to Frontier Markets.

No individual listed or quoted company exposure in the portfolio may exceed 10 per cent. of the Company's total assets at the time of investment. The Company may invest in exchange-traded funds provided they are listed on a recognised investment exchange.

In order to achieve the Investment Objective, the Manager selects stocks by fundamental analysis of companies, looking for long-term appreciation from mispriced value or growth. The Manager employs an actively managed bottom-up approach to investing whilst always having due regard to the requirement for portfolio diversification across sectors and countries. Risk is spread through investing in a number of holdings and, typically, it is expected that the Company will invest in between 30 to 80 holdings.

The Company has not set maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of securities.

Where possible, investment will generally be made directly in the stock markets of Frontier Markets with a medium to long term investment horizon. Where the Manager determines appropriate, investment may be made in Frontier Markets through collective investment schemes.

No more than 10 per cent. of the Company's total assets may be invested in other listed closed ended investment companies, provided that this restriction does not apply to investments in any such investment companies which themselves have published investment policies to invest no more than 15 per cent. of their total assets in other closed-ended investment companies. Additionally, the Company will itself not invest more than 15 per cent. of its total assets in other investment companies or investment trusts which are listed or quoted.

The Company may, at the Manager's discretion, hold cash or cash equivalents to protect Shareholders' capital although it is envisaged that the value of these will not generally exceed 10 per cent. of Net Asset Value.

It is intended that the Company will generally be invested in equity investments. However, the Manager may invest in equity related investments such as convertibles or fixed interest securities where there are perceived advantages in doing so.

The Company may use gearing, in the form of borrowings and/or derivatives, to enhance returns over the long term. The borrowings may be in sterling or other currencies. The Articles of Incorporation contain a borrowing limit equal to 10 per cent. of its Net Assets (calculated at the time of draw down). Total gearing, including any net derivative exposure, would not normally be expected to result in a net economic equity exposure in excess of 110 per cent. Furthermore, the Company may use an overdraft and/or other short-term borrowing facilities to meet its working capital needs, including for the payment of any expenses or fees. The same facility may be used to take advantage of favourable investment opportunities pending the payment of proceeds from the sale of investments.

Due to national and/or international regulation, excessive operational risk, prohibitive costs and/or the time period involved in establishing trading and custody accounts in certain of the Company's target Frontier Markets, the Company may temporarily, or, on an on-going basis, be unable to invest (whether directly or through nominees) in certain of its target Frontier Markets or, in the opinion of the Company and/or the Manager, it may not be advisable to do so. In such circumstances, the Company may gain economic exposure to such target Frontier Markets by investing indirectly through derivatives (including contracts for difference) and/or structured financial instruments, for example P-Notes. Save as provided above, there is no restriction on the Company investing in derivatives and/or structured financial instruments in such circumstances. If the Company invests in derivatives and/or structured financial instruments for investment purposes (other than to gain access to a target Frontier Market as described above) and/or for efficient portfolio management purposes it shall only hold up to, in aggregate, 10 per cent. of its Gross Assets in derivatives and/or structured financial instruments for such purposes.

2. Key risks

There are certain key risks which may arise from investment in the Company which include:

(i) General market risks associated with the Company's investments - Changes in economic conditions, interest rates, foreign exchange rates and inflationary pressures, industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects.

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the net asset value ("NAV").

(ii) Risks associated with frontier markets - The Company invests in frontier markets which involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include -

(a) the risk of nationalisation or expropriation of assets or confiscatory taxation;
(b) social, economic and political uncertainty including war and revolution;
(c) dependence on exports and the corresponding importance of international trade and commodities prices;
(d) less liquidity of securities markets;
(e) currency exchange rate fluctuations;
(f) potentially higher rates of inflation (including hyperinflation);
(g) controls on foreign investment and limitations on repatriation of invested capital and a fund manager's ability to exchange local currencies for US dollars;
(h) a higher degree of governmental involvement and control over the economies;
(i) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies;
(j) differences in auditing and financial reporting standards which may result in the unavailability of material information about economies and issuers;
(k) less extensive regulatory oversight of securities markets;
(l) longer settlement periods for securities transactions;
(m) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and
(n) certain consequences regarding the maintenance of portfolio securities and cash with subcustodians and securities depositories in frontier markets.

(iii) Liquidity of the portfolio
The Company, and/or its Investment Manager may accumulate investment positions which represent more than normal daily trading volumes which may make it difficult to realise investments quickly. Liquidity risk is not considered to be significant as, whilst liquidity is limited in certain stocks which the Company holds, the majority of the Company's assets comprise readily realisable securities which can be sold to meet funding requirements if necessary. The Board reviews the liquidity profile of the Company's investment portfolio.

(iv) Foreign exchange risks
The Company is exposed to foreign exchange risks which may affect the value of the Company's holdings against the Company's base currency, the US dollar. Currency exposures are not hedged by the Company.

Management or mitigation of the above risks

Risk	Management or mitigation of risk
General market risks associated with the Company's investments	These risks are largely a consequence of the Company's investment strategy but the Investment Manager attempts to mitigate such risks by maintaining an appropriately diversified portfolio by number of holdings, geographic focus, investment style and market capitalisation focus. Liquidity, risk and exposure measures are produced on a monthly basis and monitored against internal limits.
Frontier markets	
Liquidity of the portfolio	
Foreign exchange risks	

The investment management of the Company has been delegated to the Company's Investment Manager. The Investment Manager's investment process takes into account the material risks associated with the Company's portfolio and the markets and holdings in which the Company is invested. The Board monitors the portfolio and the performance of the Investment Manager at regular Board meetings.

(v) Internal risks - Poor allocation of the Company's assets to both markets and securities by the Investment Manager, poor governance, compliance or administration, could result in shareholders not making acceptable returns on their investment in the Company.

Management or mitigation of internal risks
The Board monitors the performance of the Investment Manager and the other key service providers at regular Board meetings. The Investment Manager provides reports to the Board on compliance matters and the Administrator provides reports to the Board on compliance and other administrative matters. The Board has established various committees to ensure that relevant governance matters are addressed by the Board.

The management or mitigation of internal risks is described in further detail in the corporate governance statement in the latest Annual Report.

The Directors are aware that there is now an additional uncertainty to those outlined above. The United Kingdom decision in the EU referendum held on 23 June 2016 to leave the EU may introduce potentially significant new uncertainties and instability in financial markets as the United Kingdom negotiates the terms of its exit from the EU.

3. Risk management systems

The directors of ASFML collectively assume responsibility for its obligations under the AIFMD including monitoring the Company's risk profile during the year.

ASFML, as a fully integrated member of Aberdeen, receives a variety of services and support in the conduct of its business activities from the resources of Aberdeen. ASFML conducts its risk oversight, including the conduct of its risk oversight function, through the operation of Aberdeen's risk management processes and systems.

4. Leverage

Leverage limits

The maximum level of Leverage which the Manager is entitled to employ on behalf of the Company (expressed as a ratio to total assets) is:

Commitment Method	1.10x
Gross Method	1.10x

Types of leverage

Although leverage is often used as another term for gearing, under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the NAV. It defines two types of leverage, the gross method and the commitment method. These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect 'netting' or 'hedging arrangements'. Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed above. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Incorporation. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities. Leverage is considered in terms of the Company's overall 'exposure' to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. ASFML is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its NAV with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- Include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities
- Exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond
- Include derivative instruments which are converted into the equivalent position in their underlying assets
- Exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known
- Include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed
- Include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

Exposure values under the commitment method basis are calculated on a similar basis but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The calculation of leverage assumes that a leverage ratio of 1.00:1 equates to zero leverage. A ratio of less than 1.00:1 would mean that the portfolio included uninvested cash. A ratio above 1.00:1 would mean that the portfolio had leverage to the ratio amount above 1.00:1.

The Company does not have in place any collateral or asset reuse arrangements.

5. Modification of Investment policy

In accordance with the FCA listing rules, any material change to the Company's investment policy will require the prior approval of the FCA and the approval of shareholders of the Company. In considering what is a material change the Company will have regard to the cumulative effect of any changes since the shareholders last had the opportunity to vote.

6. Contractual relationship between the Company and Investors, applicable law and the enforcement of Judgements

The Company is incorporated in Guernsey as a closed-ended investment company under The Companies (Guernsey) Law 1994 (as amended) and its Shares are quoted and traded on the London Stock Exchange's AIM Market.

Investors who acquire shares in the Company will do so subject to the Articles of Incorporation. The Articles are one of the Company's constitutional documents and contain the rights and restrictions attaching to the Company's Shares. The Articles may only be amended by way of a special resolution. A shareholder's liability to the Company will be limited to the value of the Shares held by such shareholder.

As the Company is incorporated in Guernsey, it may not be possible for an investor located outside that jurisdiction to effect service of process upon the Company within the local jurisdiction in which that investor resides. All or a substantial portion of the assets of the Company may be located outside of the local jurisdiction in which an investor resides and, as a result, it may not be possible to satisfy a judgment against the Company in such local jurisdiction or to enforce a judgment obtained in the local jurisdiction's courts against the Company.

A number of legal instruments provide for the recognition and enforcement in Guernsey of judgments given in other states. Where no particular legal instrument applies, a judgment creditor may nevertheless have rights to seek to enforce a judgement under Guernsey law.

7. Information on the AIFM, Depositary and Service providers

AIFM/Manager

The Company appointed Aberdeen Standard Fund Managers Limited (the "AIFM" or the "Manager"), a company incorporated in England & Wales, as its alternative investment fund manager on 1 June 2016. The Manager is a subsidiary of Standard Life Aberdeen plc, a company incorporated in Scotland.

The Manager is authorised and regulated by the FCA as an alternative investment fund manager. Pursuant to the Management Agreement, the Manager provides investment management services (including portfolio management), risk management services and general administrative services to the Company.

The duties of the Manager also include (but are not limited to) the following:

- the proper valuation of the Company's assets and the calculation and publication of the NAV of the Company;
- to review its delegation of the portfolio management function to the Investment Manager on an ongoing basis;
- to ensure that appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the Company can be performed;
- to implement a risk management system to identify, measure and manage appropriately all risks relevant to the Company's investment strategies and to review this system on an annual basis;
- to ensure that a single depositary is appointed to ensure, among other things, the proper monitoring of the Company's cash flows and the safe-keeping of the Company's assets that can be held in custody;
- to employ an appropriate liquidity management system;
- to adopt procedures enabling it to monitor the liquidity risk of the Company and ensure that the liquidity profile of the Company's investments complies with its underlying obligations;
- to use adequate and appropriate human and technical resources necessary for the proper management of the Company; and
- to make available an annual report for the Company no later than six months following the end of its annual accounting period.

The Management Agreement may be terminated on six months' written notice by either the Company or the Manager, or immediately by either party by notice upon the insolvency or winding up of the other party. The Company may also terminate the agreement immediately, inter alia, if either the Manager ceases to maintain their regulatory permissions.

The Manager has delegated the portfolio management of the Company to Aberdeen Asset Management Asia Limited. Further details of the delegation arrangements are set out in paragraph 9 below.

Depositary

The Company has appointed Northern Trust (Guernsey) Limited to act as its depositary. Pursuant to the Depositary Agreement, the Depositary must carry out the duties specified in the AIFMD, including:

- cash monitoring and verifying the Company's cash flows;
- oversight of the Company and the Manager, including:
  - ensuring that the sale, issue, re-purchase, redemption, transfer, buy back and valuation of the Company's shares are carried out in accordance with the Company's constitutional documentation and applicable laws, rules and regulations;
  - ensuring that in transactions involving the Company's assets the consideration is remitted to the Company within the usual time limits;
  - ensuring that the Company's income is applied in accordance with the Company's constitutional documentation and applicable laws, rules and regulations; and
  - carrying out instructions received from the Manager unless they conflict with the Company's constitutional documentation or any applicable law, rule or regulation, or the provisions of the Depositary Agreement.

In carrying out such functions the Depositary shall act honestly, fairly, professionally, independently and in the interests of shareholders.

The Depositary is liable to the Company and/or shareholders for the loss of a financial instrument held in custody by the Depositary or a delegate, unless the Depositary is permitted to discharge, and has discharged, such liability under AIFMD and the Depositary Agreement. The Depositary delegates safekeeping and administration of financial instrument held in custody to Northern Trust Corporation. The Manager will inform investors of any changes with respect to the Depositary's liability for the loss of a financial instrument held in its custody. The Depositary is also liable to the Company and/or shareholders for all other losses suffered by them as a result of the Depositary's negligent and/or intentional failure to properly fulfil its duties.

Under the Depositary Agreement, the Company has indemnified the Depositary against certain liabilities suffered by the Depositary arising directly out of the performance of its obligations under the Depositary Agreement, except in the case of any liability arising from the fraud, negligence, wilful default or material breach of contract of the Depositary or any of its agents, or the loss of financial instruments as described above.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new depositary is appointed by the Company.

Administrator and Secretary

Vistra Fund Services (Guernsey) Limited has been appointed as Administrator and Secretary to the Company.

Registrar and UK Transfer Agent

The registrar of the Company is Capita Registrars (Guernsey) Limited and is responsible for keeping the register of shareholders, which may be inspected at the Registrar's office at Longue Hougue House, St Sampson, Guernsey GY2 4JN, during normal business hours. With the consent of the Company, the Registrar has retained Capita IRG Plc as the Company's UK transfer agent to receive notices and documents of transfer from shareholders in the United Kingdom for onward transmission to the Registrar.

Auditor

Grant Thornton Limited has been appointed as the Company's auditor responsible for auditing the annual financial statements in accordance with auditing standards and, as appropriate, regulations, and for providing its report to the Company's shareholders in the annual report and financial statements.

Stockbroker

Numis Securities Limited has been appointed as the Company's stockbroker to provide the Company with corporate broking and associated financial advisory services.

Investors' rights against service providers will vary depending on a range of factors. Investors may be afforded certain rights against service providers by the general law of the jurisdiction in which they are based.

AIM Nominated Adviser

Grant Thornton UK LLP has been appointed as the Company's nominated adviser or Nomad to provide the Company with advice on its responsibilities and continuing obligations in relation to its AIM quotation.

8. Protection from professional liability risks

The Manager has effective internal operational risk management policies and procedures in order to appropriately identify measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed.

The management of operational risk, through the risk and control self-assessment process, is aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. All risks and events are facilitated via the internal risk management system, which provides a platform to facilitate the convergence of governance, risk and compliance.

The Manager is required to cover professional liability risks, such as the risk of loss of documents evidencing title of assets to the Company, and complies with such requirement by maintaining an amount of its own funds in accordance with the Alternative Investment Fund Managers Directive (2011/61/EU) and its associated implementing measures (together, "AIFMD").

9. Delegation arrangements and management of conflicts

Delegation Arrangements

From time to time, the Manager may delegate certain management functions to its affiliated subsidiaries or to third parties.

The Manager has delegated portfolio management to Aberdeen Asset Management Limited, which has further sub delegated to the Investment Manager, Aberdeen Standard Investments (Asia) Limited, having considered the quality of services offered including the financial control systems in operation in so far as they relate to the affairs of the Company.

Portfolio Management

The Manager has delegated portfolio management to the Investment Manager, Aberdeen Asset Management Limited, who in turn has sub-delegated portfolio management to the Aberdeen Group's Singapore-based subsidiary for the part of the portfolio of the Fund comprising of assets that are listed, issued or otherwise made available in Asia, Aberdeen Asset Management Asia Limited, which is authorised to undertake fund management and provide investment advice by the regulatory authority in Singapore. The Manager and Investment Manager are both subsidiaries of Aberdeen.

Under the Investment Management Agreement, the Investment Manager is required to provide such portfolio management services to the Company as the Manager may from time to time require in connection with the investment of the monies and assets of the Company, management of the portfolio and will be responsible for advising on the purchase and sale of investments.

Conflicts of interests

The Manager and the Investment Manager are committed to treating clients and shareholders fairly and have implemented procedures and processes to ensure that this is the case. In particular, the Manager and the Investment Manager have approved and adopted the Conflicts of Interests Policy of the Aberdeen.

The objective of the Conflicts of Interests Policy is to ensure the fair treatment of clients and shareholders in cases of conflicts of interests or potential conflicts of interests which may arise in the course of providing management, advisory or administrative services to the Company.

To achieve this objective, the Conflicts of Interests Policy seeks to ensure that the Company and its service providers and the Manager and its delegates have adequate organisational and structural measures in place:

- to identify circumstances which constitute or may give rise to a conflict of interests entailing a material risk of damage to the interests of the Company or its shareholders;
- to provide procedures, mechanisms and systems to manage or resolve any such conflicts of interests; where such conflict cannot otherwise be avoided, ensuring that the Company, the Manager and the Investment Manager always act in the best interests of shareholders; and
- to maintain a proper record of any such conflict or potential conflict and to ensure proper reporting to affected shareholders.

The following circumstances have been identified as constituting, or potentially giving rise to, conflicts of interests:

- directors of the Manager are senior executives of, and employed by, Aberdeen;
- the Manager and the Investment Manager are affiliated entities of Aberdeen. The keys terms of the Investment Management Agreement are similar to those which might be agreed between independent third parties; and

- Aberdeen and its affiliates may hold or trade in securities and instruments of the same type as the securities and instruments held or traded in by the Company; they may also utilise the same or similar strategies as those adopted by the Investment Manager on behalf of the Company. In addition, the Company may make investments in other funds managed or advised by Aberdeen or its affiliates.

In order to ensure that actual and potential conflicts of interests are appropriately identified, managed and monitored, Aberdeen has established a formal committee which operates under documented terms of reference and which meets regularly to maintain oversight of the Conflicts of Interests Policy and the management of live conflicts situations. Aberdeen maintains a documented matrix of known or inherent conflicts of interests, as well as a documented register of live actual or potential conflicts of interests arising in the carrying on of its business operations.

10. Valuation procedures

The Company's accounting policies, including its policy in relation to the valuation of investments, are set out in the notes to the financial statements.

The Company has delegated a number of its duties to the Manager including the proper valuation of the Company's assets, the calculation of the NAV of the Company and the publication of such NAVs. Accordingly, the Manager has approved and adopted Aberdeen's Valuation Policy. The Manager considers that the Valuation Policy contains appropriate and consistent procedures to ensure that a proper and independent valuation of the assets of the Company can be performed.

The Company has appointed the Administrator to maintain the accounting records of the Company and to calculate monthly statements of NAV of the Company.

11. Liquidity risk management and redemption rights

For closed ended funds such as the Company, the liquidity risk management is limited to the liquidity required to meet obligations in relation to its investments and to satisfy accrued expenses and creditors as they fall due. The Manager manages these liquidity risks by retaining sufficient cash and cash equivalent balances together with a selection of readily realisable investments. The Manager may also use borrowings to meet capital commitments.

There are no redemption rights attaching to shares in the Company.

12. Fees, charges and expenses

The Investment Manager is appointed under a contract subject to six months' notice and is entitled to remuneration comprised of a basic fee and in certain circumstances a performance fee. The Investment Manager receives a management fee payable by the Company monthly in arrears equal to one twelfth of 1.0% of the value of the Company's net assets. There is no performance fee.

The Company also incurs annual fees, charges and expenses in connection with administration, directors' fees, promotional activities, auditors' fees, lawyers' fees and depositary charges. The Company's Ongoing Charges for the latest financial year, and as shown in the most recently published Annual Report, amounted to 1.66%.

13. Fair treatment/preferential treatment of Investors

The Manager has adopted a policy regarding treating customers fairly, the operation of which is overseen by a formal committee comprised of senior managers from Aberdeen's various business units and from its risk division. The role of the Conduct Risk Committee, which meets regularly and operates under documented terms of reference, is to ensure that among other matters the Conduct Risk Policy is implemented and maintained and to consider any actual or potential Conduct Risk Policy issues arising in connection with Aberdeen carrying on its business operations. General awareness training on the Conduct Risk Policy and what it means to Aberdeen and its customers is delivered to all Aberdeen staff.

No investor in the Company obtains preferential treatment or the right to obtain preferential treatment.

14. Availability of the AIF's latest annual report

The Company's latest annual report is available on the Company's website: www.aberdeenfrontiermarkets.co.uk

15. Procedure and conditions for the issue and sale of shares

The issue of new shares by the Company either by way of a fresh issue of shares or by way of the sale of shares from treasury, is subject to the requisite shareholder authorities being in place and all listing rule requirements having been met. Shares in the Company can also be bought in the open market through a stockbroker.

16. Latest NAV of the AIF

The Company's NAV per share is calculated daily and published through a regulatory information service. For internet users, additional data on the Company, including the latest published NAV and the closing price of ordinary shares for the previous day of trading on the London Stock Exchange, performance information and a monthly factsheet, is available on the Company's website: **www.aberdeenfrontiermarkets.co.uk**

17. AIF's historical performance

The Company's historical performance is available on the London Stock Exchange website and in the Company's previous annual reports and fact sheets which are available on the Company's website: **www.aberdeenfrontiermarkets.co.uk**

18. Prime brokerage

The Company has not appointed a prime broker.

19. Periodic disclosures

The Manager will, at least as often as the annual report and financial statements are made available to shareholders, make available information required to be periodically disclosed under Article 23 of AIFMD to shareholders.

The information described above will be provided to shareholders by way of a regulatory information services announcement.

20. Defined terms

The following defined terms are used in this pre-investment disclosure document:

"Aberdeen"	Aberdeen Asset Management PLC, a subsidiary of Standard Life Aberdeen plc
"Administrator"	Vistra Fund Services (Guernsey) Limited
"ASFML"	Aberdeen Standard Fund Managers Limited
"AIFM"	Alternative Investment Fund Manager
"AIFMD"	European Union Directive 2011/61/EU, together with its implementing measures
"Annual Report"	the Company's Annual Report and Financial Statements for the year ended 30 June 2018
"Articles"	the Company's articles of incorporation, as amended from time to time
"Company"	Aberdeen Frontier Markets Investment Company Limited
"Conduct Risk Committee"	Aberdeen's formal committee for overseeing, among other matters, the Conduct Risk Policy
"Conduct Risk Policy"	Aberdeen's documented policy regarding treating customers fairly
"Conflicts of Interests Policy"	Aberdeen's documented conflicts of interest policy
"Depositary"	Northern Trust (Guernsey) Limited
"FCA"	Financial Conduct Authority
"GFSC"	Guernsey Financial Services Commission
"Investment Manager"	Aberdeen Standard Investments (Asia) Limited
"Investment Management Agreement"	Investment management agreement between the Manager and the Investment Manager dated on 1 June 2016
"Management Agreement"	Management agreement between the Company and the Manager dated on or around 1 June 2016
"Manager"	Aberdeen Standard Fund Managers Limited
"Net Asset Value" or "NAV"	the net asset value of the Company
"Ongoing Charges"	Ratio of expense as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies industry standard method

"Registrar"	Link Market Services Limited
"Secretary"	Vistra Fund Services (Guernsey) Limited
"Shares"	The ordinary shares of the Company

Other important information

Issued by Aberdeen Standard Fund Managers Limited which is regulated by the Financial Conduct Authority. Registered Office: Bow Bells House, 1 Bread Street, London EC4M 9HH. Registered in England No. 740118. An investment company should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

Appendix to Pre-investment Disclosure Document

Aberdeen Standard Fund Managers Limited: Risk management

Appendix to Pre-investment Disclosure Document

Risk management systems

Aberdeen Standard Fund Managers Limited is a fully integrated member of the Aberdeen Asset Management PLC ('Aberdeen') group of companies (Aberdeen, together with its subsidiaries, referred to as 'the Group'). The Group is an international investment management group, managing assets for both institutional and retail clients from offices around the world.

The Group is committed to building and continuously improving a sound and effective system of internal control and a risk management framework that is embedded within its operations, this is the Group's first line of defence.

The Group's Risk Division, as the second line of defence, exists to support management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the Group using its operational risk management system ('SWORD').

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the Audit Committee of the Group's board of directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment, it is the Group's third line of defence.

The Group's corporate governance structure is supported by several committees which assist the board of directors of Aberdeen, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that give investment recommendations. The specific goals and guidelines on the functioning of each committee is described in the committees' terms of reference.

Risk management programme

The risk management programme can be summarised broadly in five steps, see the chart below.

The first two steps of the programme allow the risk teams to identify, assess and understand the inherent risks of the Company and whether the internal controls mitigating those risks are sufficient and effective. The weight of these two steps in the risk management cycle will be inversely proportional to the available market data to value the assets and their liquidity. Those steps allow the risk management team to understand the specific risks of the structure and assets and focus and adapt their level of analysis to the most significant risks.

The results of the independent risk assessment are escalated to the relevant committees and boards which are responsible for overseeing how the business implements the necessary mitigating actions.

Description of the process of identifying, assessing and managing risks

- **Market risk:** is monitored through factor modelling used to calculate both absolute and relative ex ante quantities such as tracking error ('TE') and Value at Risk ('VaR'). The VaR is computed on a NAV basis as the maximum loss that the portfolio should incur over 20 days, 99% of the time under normal market conditions. The Company's portfolio risks are decomposed into intuitive components to pinpoint areas of unexpected market risk. The techniques are applied to all relevant asset classes. The market risk is further monitored through the computation of the level of leverage by both the gross and net approach. The leverage is calculated by converting each financial derivative instrument into the equivalent position in the underlying assets of those derivatives, on a NAV basis. The market risk linked to the concentration risk is mitigated through investment restrictions set according to the basic principle of diversification
- **Liquidity risk:** The Group has a Liquidity Risk Management Policy in place applicable to the Funds and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the Funds. Liquidity Risk is monitored on both the asset and liability sides. To measure and monitor asset liquidity risk the Group employs a number of methods specific to the underlying assets. In all cases, the approach is to reference the actual holdings of the sub-fund against a true measure of the market at both an aggregate and a position level. A Group Pricing Committee is responsible for the review and monitoring of asset pricing, in addition to the approval of pricing methodologies and asset-level fair value price adjustments and the Group Investor Protection Committee which looks at fund-level fair value approaches. The Group has implemented a Group Pricing Policy which details the operational responsibilities for pricing assets.
On the liability side, investor transactions and, beyond this, investor behaviour are the main driver of liquidity within each sub-fund. In this context, the articles and prospectuses contain certain key provisions or limits which provide protection to the Funds and ultimately investors, in situations

Risk management

where liquidity might become a concern. In addition, the Fund receives and analyses periodic reports in respect of the shareholder concentration within each sub-fund. Any shareholder concentrations and transactional behaviour are identified at sub-fund level and any particular concerns noted are escalated to the relevant Group Committee and respective Boards, if material

- **Credit and counterparty risk:** Transactions involving derivatives are only entered into with counterparties having an appropriate and agreed internal credit rating, as supplied by the Group's Credit Risk Department. The credit risk linked to counterparty risk is managed through processes outlined in the Group's Credit Risk Management Policy. This Policy details the creation and maintenance of credit opinions on trading legal entities and related consolidated banking groups containing counterparty entities to client OTC derivatives contracts, cash contracts and cash deposits. The Group has a Derivative and Credit Oversight Committee responsible to approve the addition of new counterparties and enforce the removal of counterparties based on the Credit Risk Monitor Report which provides an independent point of reference on Counterparty risk
- **Legal risk:** All key contractual arrangements entered into by the Company are reviewed by the Legal Department and, where required, by external legal counsel. If these contracts refer to delegation arrangements, where applicable, there is an operating memorandum defining information flows between the parties, frequency of services and deadlines, a clear attribution of rights and responsibilities of each party, and when applicable the key performance indicators to measure performance. Any litigation issues are also handled by the Legal Department, who would provide updates to the Risk Management Department of any existing litigation, status of the litigation and the extent of any impact to the Company.

  OTC derivatives are framed within the legal provisions of the ISDA Master agreement which defines the rights and obligations of parties engaging in derivatives trading. The ISDA master agreements are negotiated and signed between each umbrella/sub-fund and the counterparty. The Credit Support Annexe ('CSA') is a legally binding document which is annexed to the ISDA agreement and details the Minimum Transfer Amount ('MTA') or collateral required by Aberdeen Asset Managers Limited when engaging in OTC derivatives trading with counterparties
- **Tax risk:** The Group uses external tax consultants to advise on tax structuring, transactions and tax reporting
- **Operational risk:** The Operational Risk Management Framework ensures that the operational risks taken and their contribution to the overall risk profile are accurately measured on the basis of sound and reliable data and that the risk measurement arrangements, processes and techniques are adequately documented. The identification, measurement, management and monitoring of operational risk within the Group is achieved through the use of the Group's Operational Risk Management Framework System, SWORD. This system provides the following key Risk Management Modules:
  - **Event Management:** This module serves as a historical loss database, in which any operational failures, loss and damage experience ('Events') will be recorded. The records include professional liability damages. The process for recording, investigation and mitigation of Events aims to ensure that they are not repeated
  - **Issues and Actions Plan:** The issues and actions module provides a standardised mechanism for identifying, prioritising, classifying, escalating and reporting internal audit findings and other on-going/unresolved matters impacting the Group from a risk or regulatory perspective ('Issues')
  - **Risk and Control Self Assessment ('RCSA'):** The RCSA process is to ensure key risks and key controls are identified and managed effectively in order to satisfy, at a Group level, Internal Capital Adequacy ('ICAAP') requirements. The RCSA also provides a systematic and holistic means of identifying risk and control gaps that could impact business or process objectives which are agreed by senior management to complete
  - **Business Continuity Plan ('BCP'):** In place and designed for invocation where there has been significant disruption to normal business functions at any Aberdeen Group office that is likely to last longer than 24 hours

Measuring risk

Where appropriate the Group applies the following measurements for each Fund:

- **Leverage:** Has the effect of gearing a Fund's expected performance by allowing a Fund to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss)
- **Volatility, Value-at-Risk ('VaR') and Conditional VaR ('CVaR'):** Volatility indicates how a Fund is expected to perform. The higher the volatility the higher the risk. VaR measures with a degree of probability the minimum the Fund could expect to lose in any one given day. Assuming a normal (Gaussian) distribution, this is a function of the volatility. The higher the volatility, the higher the VaR, the greater the risk. CVaR determines the expected loss, given that the VaR has been reached
- **Tracking error ('TE'):** Measures the expected magnitude of divergence of returns between the Fund and benchmark over a given time
- **'Systematic' and 'stock specific' risk:** systematic risk represents the proportion of a Fund's risk that is attributable to market exposure; and specific risk represents the risk that is intrinsic to individual stocks (i.e. particular to a given stock's attributes)
- **Stress test and scenario analysis:** This captures how much the current portfolio will make or lose if certain conditions occur

Appendix to Pre-investment Disclosure Document

- **Concentration risk:** by grouping the portfolio through various different exposures: country, sector, issuer, asset etc, to identify where concentration risk exists

For some of the risk measurements above, the Directors of the Company and the Risk Management team will determine and set specific risk limits.

Escalation and reporting

The Group recognises timely and adequate reporting measures as well as escalation channels to be key components of the control process and management of risk.

The Risk Management Department provides regular updates to the Board/senior management on the adequacy and effectiveness of the Risk Management Process indicating, where applicable, actual or anticipated deficiencies and the remedial measures.

Risks identified in relation to the Company are reported to the Board of the Company, to the Board of the Manager and to the relevant Group Committee.

In addition, all issues and events impacting any Aberdeen entity or the Company are logged in SWORD, by the relevant area within the prescribed time limits.