

# Polaris Investment Partners, Inc.

## Part 2A of Form ADV

### The Brochure

Polaris Investment Partners, Inc.  
30 Fenwick Hall Allée  
Johns Island, SC 29455

843-414-4000 or 800-344-9101

FAX: 843-414-4001

[invest@polarisinvest.com](mailto:invest@polarisinvest.com)

[www.polarisinvest.com](http://www.polarisinvest.com)

March 2012

This brochure provides information about the qualifications and business practices of Polaris Investment Partners, Inc ("Polaris"). If you have any questions about the contents of this brochure, please contact us at 843-414-4000 or 800-344-9101. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## Item 2 - Material Changes

### With regard to the Adviser's Private Funds for "Sophisticated Investors":

#### New Funds

- Polaris Managed Futures, LLC—Global Systematic Traders Series #1 was formed January 1, 2012. Its underlying adviser is a macro global, multi-strategy systematic trader of commodities & futures relying on multiple proprietary models.
- Polaris Managed Futures, LLC—Multi-CTA Advisors Series #1 was formed January 1, 2012. It is invested in an underlying private fund of a diversified group of Commodity Trading Advisors.
- Polaris Managed Futures, LLC—Energy Trader Series #1 was formed March 1, 2012. It is invested in an underlying private fund whose manager focuses on the energy-related commodities market.
- Polaris Alternative Managers, LLC—Masters Multi-Strategy Series #1 was formed March 1, 2012. It is invested in two underlying private funds which, in combination, offer a globally-oriented, multi-strategy, broadly-diversified approach to nearly all asset classes.

#### Discontinued Funds

- Polaris Prime Technology (Cayman) LP and Polaris Prime Technology Ltd. funds were closed down as of December 31, 2011. Polaris Prime Technology (Cayman) LP was the "Master Fund" and Polaris Prime Technology Ltd. was its offshore feeder. Polaris Prime Technology, LP — formerly a US feeder fund to Polaris Prime Technology (Cayman) LP — became a stand-alone Delaware limited partnership.
- Polaris Prime Technology Plus LP was closed down as of December 31, 2011.

#### Funds Winding Down

- Polaris Prime Portfolios, LP and Polaris Prime Option Traders LP are in the process of winding down.

### Item 3 -Table of Contents

Item 2 - Material Changes .....	i
Item 3 -Table of Contents .....	ii
Item 4 - Advisory Business .....	3
Item 5 – Fees and Compensation .....	5
Item 6 – Performance Based Fees and Side-by-Side Management.....	9
Item 7 – Types of Clients.....	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9 – Disciplinary Information .....	16
Item 10 – Other Financial Industry Activities and Affiliations .....	17
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	18
Item 12 – Brokerage Practices .....	20
Item 13 – Review of Accounts.....	22
Item 14 – Client Referrals and Other Compensation.....	23
Item 15 – Custody .....	24
Item 16 – Investment Discretion .....	25
Item 17 – Voting Client Securities .....	26
Item 18 – Financial Information .....	27

## Item 4 - Advisory Business

Polaris Investment Partners, Inc. (the “Adviser”) is an investment adviser with its principal place of business on Johns Island, Charleston, SC. The Adviser was founded on December 14, 1990 and is owned equally by John C. Pernell, Jr. and Martha L. Hamilton. The Adviser has been registered with the SEC since February 1, 1991. Several of its investment management or related services are also provided through its affiliated companies, Polaris Private Managers, Ltd., Polaris Offshore Partners, LLC, and Polaris (Cayman) Ltd., all three of which are 100% owned by John C. Pernell, Jr.

As of February 29, 2012, the Adviser had supervisory responsibility for approximately \$96.4 million of client assets under management. As of that date, approximately \$79 million was managed on a discretionary basis and approximately \$17.4 million on a non-discretionary basis.

The Adviser provides two types of advisory services to its clients. These include investment supervisory services for:

1. Separately managed accounts on both a discretionary and non-discretionary basis to clients, which include individuals and institutions, and the majority of one pooled investment vehicle intended for sophisticated investors; and
2. The selection of investment advisers for pooled investment vehicles including:
  - a. Collective Trust funds for retirement plans on a non-discretionary basis; and
  - b. Private funds intended for sophisticated investors on a discretionary basis.

### 1. SEPARATELY MANAGED ACCOUNTS

- a. The Adviser’s most common strategy for separately managed portfolios, referred to as the **Growth Strategy**, invest in all categories of mutual fund shares, including traditional mutual funds and ETFs (Exchange-Traded Funds).

The Adviser tailors this advisory service in the following manner: clients may impose restrictions on specific funds and categories or sectors of funds (e.g., high-yield funds, gold funds, specific fund families, etc.) from their portfolios on an individual account basis. Clients may also vote, pledge or hypothecate the shares of the holdings in their account.

Under certain circumstances, the Adviser may agree to manage a **special purpose strategy** in a variety of securities which is tailored to the individual needs of clients. Such a portfolio may, at times, be sub-advised by, or jointly advised with, another unaffiliated investment adviser, as agreed upon by the client. It may also be the assets of significantly high net worth family accounts which are permitted to be invested in private funds that are advised by the Adviser or one of its affiliates (an “Affiliated Fund”), provided that all management and incentive compensation due to the Advisor from such an Affiliated Fund is waived.

- b. The Adviser manages the majority of a separately managed portfolio for all or a portion of a client’s account, which is a pooled investment vehicle for sophisticated investors.

## **2. SELECTION OF INVESTMENT ADVISERS FOR POOLED INVESTMENT VEHICLES**

- a. **BANK COLLECTIVE TRUST FUNDS**      The Pooled Employee Trust Funds of First Federal Savings & Loan of Charleston ("First Federal")

The Adviser provides the selection of investment advisers and commodity trading advisers ("CTAs") on a non-discretionary basis for seven distinct pooled investment funds held in trust at First Federal. These pooled trust funds are solely for pension and profit sharing plans, including self-employed persons. Each fund has a specific investment objective, and is permitted to be managed by multiple managers — a "fund of funds" — or one manager.

The Adviser is also under contract with First Federal to monitor these managers, recommend the termination of managers, and from time-to-time recommends the creation of new funds or the dissolution of existing funds. In addition, the Adviser is under contract as an agent for First Federal to provide fund participant recordkeeping, participating client servicing, reporting and marketing of these trust funds. The Adviser provides advice to each retirement plan participant to tailor an appropriate blend of trust funds based on specific investment objectives and strategies. Retirement plan participants have ultimate decision making power to select which trust funds to employ and may impose restrictions on investing in certain trust funds.

- b. **PRIVATE FUNDS FOR SOPHISTICATED INVESTORS**

The Adviser provides the selection of investment advisors and CTAs on a discretionary basis for clients which are hedge funds or private funds intended for sophisticated investors. The Adviser currently manages the assets of 15 private funds for sophisticated investors, four of which are distinct sub-funds comprising a group trust that holds only IRA assets.

## Item 5 – Fees and Compensation

### 1. SEPARATELY MANAGED ACCOUNTS

#### Asset Based Compensation

The Adviser's **Growth Strategy** separately managed account clients pay an annual investment management fee based on the value of the client's assets under management, typically in accordance with the following schedule:

<u>Investment Management Fee</u> (As an Annual % of Assets)	<u>Assets in the Account</u>
1.25%	On the first \$150,000
1.00%	All assets over \$150,000

Investment management fees are charged each quarter in arrears based on the total market value of the assets in the client account on the last day of each month end (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest).

- If a new *client* account is established during a month or a client makes an addition to the account during a month of \$5,000 or greater the investment management fee will be prorated for the number of days remaining in the month.
- If a client makes a partial withdrawal from the account during a month of \$5,000 or greater the investment management fee payable will be prorated for the number of days during the month such amount was in the account.
- If a client makes an addition or a partial withdrawal from the account during a month of less than \$5,000, the investment management fee payable will not be prorated.
- If a client terminates the investment management agreement during a month, the fee payable to the Adviser will be calculated based on the value of the assets on the termination date and prorated for the number of days during the month in which the investment management arrangement was in effect.

When the Adviser agrees to manage a **special purpose strategy** separately managed account, fees are negotiated and under certain circumstances may be waived for certain clients who are also long-time investors in other investment programs of the Adviser. Fees are typically 1% (annual rate). High net worth family accounts may include the payment of an annual administrative fee in addition to an annual investment management fee.

In addition to paying investment management fees, separately managed client accounts are also subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs. Please refer to Item 12 of this Brochure for a discussion of the Adviser's brokerage practices. To the extent that a client's account is invested in mutual funds and ETFs, the client will also bear a separate layer of management, trading, and administrative expenses in addition to the investment management fees paid to the Adviser. Investment in traditional mutual funds may also be charged 12b-1 fees, generally between a 0.25%-1% annual rate (the maximum allowed) of the amount of assets held in the fund. (A 12b-1 fee is an expense to a fund, which is indirectly passed on to the client.) The Adviser does not participate in any of the 12b-1 fees. In addition, it is anticipated that with regard to traditional mutual funds, client assets will be invested in no-load or low-load funds ("load" is a

commission paid for the purchase of a mutual fund). To the extent that a sales-load is incurred, the Adviser does not receive any extra compensation in connection with the load. A fund may charge a short-term redemption penalty, which can range from approximately 0.5%-2.0%. The Adviser generally attempts to avoid funds that levee redemption penalties; however, from time to time it may determine such a fund to be otherwise beneficial to a portfolio. In such a case, it considers holding periods carefully prior to selecting the fund for client accounts; however, it will not defer a sale or exchange solely to avoid such redemption fees.

The separately managed client account which is a portion of a pooled investment vehicle for sophisticated investors is charged an investment management fee based on the net value of the fund's assets of 1.5% annually. In some cases this fee is waived, such as for employees or employee relatives, at the discretion of Polaris. (This investment management fee has been waived for all long-time investors since, March 2002.) Investors will also bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. To invest in this fund the receipt and completion of special documents is required and all additional expenses are delineated there.

With investor authorization, the Adviser deducts investment management fees from investor accounts by instructing the investor's custodian(s).

### **Performance Based Compensation**

The Adviser may be paid a performance-based fee from the separately managed client account which portion of a is a pooled investment vehicle for sophisticated investors, based on a share of capital gains on or capital appreciation of the assets of such client, at an annual rate of 20%. The Adviser deducts such performance-based fees by instructing the private fund's custodian.

The Adviser may be paid a negotiated performance-based fee from its high-net worth family account clients.

## 2. POOLED INVESTMENT VEHICLES

### a. BANK COLLECTIVE TRUST FUNDS (NON-DISCRETIONARY)

#### Asset Based Compensation

The Adviser receives annual fees as the Trust's master investment adviser, client administrator, and client relations manager based on the value of a participating client's net assets in the Trust, in accordance with the following schedule:

<u>Master Adviser Fee</u>	<u>Assets in the Account</u>
(As an Annual % of Assets)	
1.25%	On the first \$250,000
1.00%	From \$250,001 to \$500,000
0.75%	On all assets over \$500,000

These fees are charged each month in arrears based on the total net market value in the client's account on the last day of each month end (including net unrealized appreciation or depreciation of investments and cash, cash equivalents, and accrued interest; and minus expenses and other fees as described below).

These fees are negotiable, generally dependent upon total client assets invested in other investment programs of the Adviser. With client authorization, the trustee deducts these fees from the client's account to pay the Adviser.

The Trust Funds are also subject to other investment expenses such as

- custodial charges,
- legal and auditing fees, and
- an annual Fund Adviser fee of 0.75% of the market value of the assets held in each individual Trust Fund. These Fund Adviser Fees are paid to the Adviser in addition to the Master Adviser Fee paid by the client as discussed above.

In addition to the Fund Adviser Fees and the Master Adviser Fees, each multi-manager Trust Fund will also bear a separate layer of management (and incentive fees if applicable), and all Trust Fund will, in addition to the Adviser related fees pay brokerage and other transaction costs, and administrative expenses for any sub-adviser's fund or portfolio in which a Trust Fund may be invested.

### b. PRIVATE FUNDS FOR SOPHISTICATED INVESTORS (DISCRETIONARY)

#### Asset-Based Compensation

The Adviser charges its pooled investment vehicle clients an investment management fee based on the net value of each such pooled investment vehicle client's assets. The investment management fee is typically in the range of 1% to 2% annually.

The investment management fees are charged each quarter in arrears based on the total market value of the assets (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest; and net expenses) in the pooled investment vehicle client on the last day of each month end. Contributions to pooled investment vehicle clients are generally accepted only as of the first day of a month and investors in pooled investment vehicle clients may generally make withdrawals as of the last day of a quarter. An investor in a pooled investment vehicle client will only be charged its share of the investment management fee for the precise months in which its assets were invested in the pooled investment vehicle. The Adviser deducts such fees from private fund client accounts by instructing the private fund's custodian or, via previously contracted arrangements, the fund administrator instructs the private fund's custodian.

The investment management fees may be reduced or waived for investors in pooled investment vehicle clients that are employees, relatives of employees, sub-adviser employees, and in some private fund clients, for strategic investors.

**Performance Based Compensation.**

The Adviser may also be paid a performance-based fee on private fund clients, based on a share of capital gains on or capital appreciation of the assets of a private fund, at an annual rate of 10% to 25%. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate ranging from 5% to 10%. The Adviser deducts the performance-based fee from private fund client accounts by instructing the private fund's custodian or, via previously contracted arrangements, the fund administrator instructs the private fund's custodian.

In addition to paying investment management fees and performance-based fees, hedge fund or private fund clients are also subject to other investment expenses such as custodial charges, brokerage fees, commissions, administrator and related costs. These clients are also subject to expenses are passed on to the fund investors. Fund investors will bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. Some of these clients may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. To invest in this fund the receipt and completion of special documents is required and all additional expenses are delineated there.

## **Item 6 – Performance Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. The Adviser is entitled to be paid performance-based compensation by most of its private pooled investment vehicle clients. The Adviser and its investment personnel, including investment personnel that share in performance-based compensation, manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts.

When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies.

The Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts, including proprietary accounts, participate in investment opportunities pro rata based on asset size. If on any given trading day an aggregated order is only partially filled, it will be allocated among accounts pro rata, provided this does not incur unnecessary trading expenses for any one account due to a very tiny transaction size. Should this occur, until the order is completely filled on subsequent days, the Adviser will allocate in another manner that best attempts to ensure one client is not favored over another. In addition, the Adviser's procedures require that, to the extent orders are aggregated, the orders are price-averaged across all accounts participating in the transaction. Finally, procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts, with the stipulation that if supply is so insufficient as to require a "pecking order" for allocation, such allocation shall be handled in favor of client portfolios before proprietary portfolios. These areas are monitored by the Adviser's Chief Compliance Officer

## Item 7 – Types of Clients

1. The Adviser provides **Separately Managed Account** services to the following clients:

- Individuals, including high net worth individuals;
- IRA accounts;
- Pension and profit sharing plans;
- Trusts and estates; and
- Other business entities including high net worth family entities.

The Adviser requires that a client invests a minimum of \$25,000 to open a Separately Managed Account (which may be waived for clients who are also investors in other investment programs of the Adviser), or \$50 million to open a Separately Managed Account for high net worth family entities, although this account size is negotiable depending on anticipated contributions.

2. The Adviser provides Selection of Investment Adviser services for pooled **Bank Collective Trust Funds**. Investors participating in these Trust Funds are limited to pension and profit sharing plans, including plans of self-employed persons. The Trust requires an investor to invest a minimum of \$25,000 to invest in a Trust Fund; however this amount is typically negotiated.
3. With respect to any client that is a pooled investment vehicle for sophisticated investors (a **hedge fund or private fund**), any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle.

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

**STRATEGY** with respect to **separately managed accounts** the Adviser utilizes:

### Growth Strategy

- Mutual funds are generally selected as “core,” longer-term investments. The selection criteria for these funds have included: (1) having performed well during the extreme bear market periods of both the 2000-2002 and the 2008-2009 due to superior active management; (2) exhibiting a low correlation to the market; (3) employing long-short holdings or some combination of risk management hedging; and (4) having a strong and experienced management team. The Adviser seeks core funds it believes will allow clients to participate more on the upside with acceptable protection on the downside, due to the investment style and active management.
- ETFs (Exchange Traded Funds) are selected using quantitative, charting, and technical analytical tools.

With respect to the above, the Adviser primarily engages in a growth investment strategy wherein the Adviser attempts to select mutual funds and ETFs which the Adviser expects to grow at an above-average rate compared to the overall market. From time-to-time, the Adviser purchases Inverse ETFs (ETFs structure to move in the opposite direction of the market) in anticipation that the market price of the market or sector represented by the Inverse ETF will decline. The Adviser purchases Inverse ETFs (i) as a form of hedging to offset potential declines in long positions, and (ii) for profit.

For the fewer clients whose accounts are considered special purpose strategies, the Adviser engages in a variety of strategies tailored to the individual needs of clients. Most frequently the strategy focuses on equities which could be a broad range of equity investment styles, including growth, core, value, and the use of mutual funds. Such a portfolio may also be sub-advised by another unaffiliated investment adviser.

**MATERIAL RISKS** with respect to above strategies:

- *Equities:* The value of Mutual Funds and ETFs, which act as equity securities fluctuate in response to the underlying securities, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

**STRATEGY** for the separately managed client account which is a portion of a pooled investment vehicle for sophisticated investors, the adviser employs fundamental research. The investment strategies include, among others:

- Buying micro-cap stocks, occasionally private, illiquid instruments, distressed situations, or non-US securities as a capital growth strategy. Here the Adviser attempts to select securities of a company whose earnings the Adviser expects to grow at an above-average rate compared to the company's specific industry or the overall market
- Occasionally a buy and hold investment strategy (in particular regarding private placements) wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price
- Occasional shorting of stocks. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales for profit.
- From time to time, leverage, which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

**MATERIAL RISKS** with respect to above strategies include:

- *Equities*: The value of equity securities fluctuate in response to the underlying securities, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- *Illiquid Instruments*. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.
- *Distressed Securities*. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies.
- *Non-US Securities*. Foreign securities, foreign currencies, and securities issued by US entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than US investments. In addition, foreign markets can perform differently from the US market.
- *Short Sales*. Short selling involves the sale of securities not owned by the client, and necessarily involves certain additional risks. Such transactions expose the client to the risk of loss in an amount greater than the initial investment, and such losses can increase

rapidly and in the case of equities, without effective limit. There is the risk that the securities borrowed by the client in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

- *Leverage.* Performance may be more volatile if a client's account employs leverage.

With respect to the **Selection of Investment Advisers** for pooled investment vehicles, the Adviser primarily focuses attention on underlying the portfolio managers or futures traders (each, a "Portfolio Manager") in terms of research rather than individual securities. The Adviser's analytical process includes both quantitative and qualitative elements. The Adviser endeavors to analyze a Portfolio Manager's strategy, philosophy and decision making process, proprietary models, research and portfolio management systems, the quality of its investment professionals, and its organizational structure.

- The adviser provides this Selection of Investment Advisers service for several pooled vehicles, which each have varying investment strategies and objectives. Some are funds of funds and some are single manager funds.

**MATERIAL RISKS** associated with the strategies of selected or underlying portfolio managers strategies include:

- *Equities:* The value of equity securities fluctuate in response to the underlying securities, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- *Technology.* Certain of the technology companies in which the Adviser invests may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of their research and development programs. In addition, companies in which the Adviser invests could be adversely affected by lack of commercial acceptance of a new product or by technological change and obsolescence. Some of these companies may have limited operating histories. Further, many technology companies with proprietary technology rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of a technology company. There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies

that are substantially equivalent or superior to the technology of such companies. Conversely, other companies may make infringement claims against a company in which the Adviser invests, which could have a material adverse effect on such company. The markets in which many technology companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing.

- *Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.
- *Short Sales.* Short selling involves the sale of securities not owned by the client, and necessarily involves certain additional risks. Such transactions expose the client to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and in the case of equities, without effective limit. There is the risk that the securities borrowed by the client in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.
- *Non-US Securities.* Foreign securities, foreign currencies, and securities issued by US entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than US investments. In addition, foreign markets can perform differently from the US market.
- *Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the *client's* account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.
- *Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

- *Arbitrage Transaction Risks.* If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants
- *Distressed Securities.* Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies.
- *Leverage.* Short Leverage may be inherent in the instruments traded (e.g., certain derivatives) or may involve the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments. Performance may be more volatile if a Client’s portfolio employs leverage.
- *Commodity Futures and Options.* Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Commodity and financial futures trading is also very speculative, largely due to the traditional volatility of futures prices. Futures prices are affected by and may respond rapidly to a variety of factors, including (but not limited to) weather reports, market reports, news reports, interest rates, national and international political or economic events, and domestic or foreign trade, monetary or fiscal policies or programs. Such rapid response might include an opening price on an affected futures contract sharply higher or lower than the previous day’s close. In such an instance, the advisor of commodities might be unable to adjust its positions in time to avoid a loss.

- *Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client’s account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

## **Item 9 – Disciplinary Information**

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

## Item 10 – Other Financial Industry Activities and Affiliations

### **Commodities-Related Registration**

The Adviser is registered as a commodity pool operator. Certain of the Adviser's management persons are registered as an associated person of the commodity pool operator.

Certain of the limited partnerships or private funds for which the Adviser or its affiliates serves as general partner or investment manager have and may in the future enter into agreements, or "side letters," with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the partnership or fund. For example, such terms and conditions may on occasion, bestow more favorable liquidity terms and/or provide increased transparency about a pooled investment vehicle's holdings; special redemption rights, relating to frequency or notice and/or other terms; and such other rights as may be negotiated by the partnership or fund and such limited partners or shareholders. The modifications are solely at the discretion of the partnership or fund and may, among other things, be based on the size of the limited partner's or shareholder's investment in the partnership or fund or affiliated investment entity, an agreement by a limited partner or shareholder to maintain such investment in the partnership or fund for a significant period of time, or other similar commitment by a limited partner or shareholder to the partnership or fund.

## Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and all its employees to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. Among other things, all employees are also required to comply with applicable federal or state securities laws, avoid even the appearance of insider trading, and pre-clear and report on many types of their personal securities transactions. The Adviser’s restrictions on personal securities trading apply to employees, as well as employees’ family members living in the same household. Clients or prospective clients may obtain a copy of the Code by contacting Dallas J Main, Compliance Director, by email at [dallas@polarisinvest.com](mailto:dallas@polarisinvest.com), or by telephone at 843-414-4000.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its employees have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person including a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser or its affiliates act as general partner in several partnerships and as investment manager of offshore private funds in which the Adviser solicits client investments. This practice creates a conflict of interest because the Adviser or its affiliates has an incentive to recommend securities to certain qualified sophisticated clients based on its own financial interests, rather than solely the interests of a client. The Adviser addresses these conflicts by waiving certain expenses and excluding assets invested in such investment companies from the asset base used for purposes of determining the amount of fees payable to the Adviser or its affiliates.

**Regarding Investing in Securities Recommended to Clients:** The Adviser, its affiliates, or its employees may invest in the same securities that the Adviser recommends to clients. Such practices present a conflict where, because of the information an Adviser has, it, its affiliates, or its employees are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). In addition to affecting objectivity, these practices may also harm clients by adversely affecting the price at which the clients’ trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts:

- The Adviser requires its employees to pre-clear private placement or private fund offerings and initial public offerings for their personal accounts with the Chief Compliance Officer, who

may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients.

- The Adviser requires a one-day Black Out period for its employees. This means employees are NOT permitted to place a personal transaction in the same security on the same day in which the employee knew, or should have known, that a client trade order was both (1) initiated and (2) at least partially filled (i.e., if a trade order is initiated, but remains incomplete or open over night, the Adviser's employees are still permitted to transact in that security one day following the initial trade.)
- The Adviser allows its affiliates' which have similar investment objectives to a client to trade on the same day as a client provided these trades are aggregated with client trades in the same security on the same day. Please see Item 6 for further explanation of trade aggregation.
- The Adviser, its affiliates, and its employees are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis, including related broker statements or other certification of such transactions or holdings. Trading in employee and affiliate accounts are reviewed by a designee of the Chief Compliance Officer and reviewed for conflicts with client *accounts*.

The Adviser, its employees or affiliates from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser its employees or affiliates to the detriment of the client. In addition, the Adviser has adopted the aggregation policies and procedures discussed in Item 12.

## Item 12 – Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering custody to client accounts, and offering to the Adviser on-line access to computerized data regarding a client's accounts.

In summary, these products and services include:

- The receipt of duplicate client confirmations, statements, and other account information;
- Direct advisory fee debiting capabilities;
- Access to an electronic network for order entry, including the simultaneous entry of trades on behalf of multiple client accounts;

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for brokerage or other services provided by a broker-dealer which are included in the commission rate.

### Best Execution Reviews

On a periodic basis, the Adviser's Chief Compliance Officer and other senior executives evaluate the pricing, best execution and services offered by the portfolio managers of pooled investment vehicles. In addition, the Adviser has sought to make a good-faith determination that TD Ameritrade and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by the Adviser's receipt of products and services from TD Ameritrade. Historically, Polaris has concluded that TD Ameritrade is as good as, or better than, the other firms that have been considered. The Adviser would notify its clients if it were to determine that another firm offered better pricing and services than TD Ameritrade.

### Aggregated Trades

The Adviser typically aggregates client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included side-by-side in bunched client trades. If an order is partially filled, clients will have their orders fully filled on a randomized basis; the Adviser will seek to complete any unfilled client orders on the next trading day. Employees are excluded from bunched trades whenever client orders are only partially filled.

When trading accounts through TD Ameritrade and one or more other broker/dealers, the Adviser's trader may choose to place smaller trades ahead of larger trades when the smaller trades are not expected to materially affect the price or liquidity of the security in question. This practice may result in accounts held at TD Ameritrade trading after other accounts with disproportionate frequency. It is possible that, over time, this practice could result in clients

whose accounts trade through other broker/dealers experiencing a benefit at the expense of the TD Ameritrade accounts.

**Client Referrals**

The Adviser does not compensate any other custodian or broker/dealer for referring client accounts.

## **Item 13 – Review of Accounts**

Client accounts are monitored on an ongoing basis by the Investment Committee members; when appropriate the Trustees; and, the Chief Compliance Officer. The Investment Committee members review each account in detail on at least an annual basis, as well as in connection with each client meeting. On at least a quarterly basis the Investment Committee members and the Chief Compliance Officer review a number of reports. Reviews of client accounts will also be triggered if a client changes its investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian on at least a quarterly, typically monthly basis. The Adviser may supplement these custodial statements with reports provided during client meetings or as requested.

With respect to pooled investment vehicle clients, the underlying investors receive reports from the pooled investment vehicle clients pursuant to the terms of the offering memoranda of each such client or as otherwise described in the offering document of such clients.

## **Item 14 – Client Referrals and Other Compensation**

Presently, this is not applicable and the Adviser does not pay a portion of its advisory fees to another investment adviser or broker/ dealer connection with that adviser's or broker's referral of a client to the Adviser. Such contracts have existed in the past and may exist again in the future. When applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

## **Item 15 – Custody**

Clients will receive account statements from a broker-dealer, bank or other qualified custodian and clients should carefully review those statements. For Growth Strategy separately managed accounts, the Adviser also sends monthly statements directly to clients in addition to those sent by the qualified custodian. Clients should compare any monthly statements they receive from the custodian with those received from the Adviser.

Annually, investors in the private funds for sophisticated investors receive a copy of the respective fund's audited financial statement.

## Item 16 – Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority with regard to Growth Strategy clients. Prior to assuming limited discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Clients can place reasonable restrictions on the Adviser's investment discretion. For example, some clients have asked the Adviser not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the client account.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

## **Item 17 – Voting Client Securities**

The Adviser does not accept authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian/their transfer agent/the Adviser. For clients which are pooled investment vehicles, the proxies are voted according to the standard procedures followed by the underlying advisers selected to manage the client fund.

## **Item 18 – Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding.