

Emerald Mutual Fund Advisers Trust

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This brochure provides information about the qualifications and business practices of Emerald Mutual Fund Advisers Trust. If you have any questions about the contents of this brochure, please contact us at (717) 396-1116 or jmeehan@teamemerald.com. 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.

Emerald Mutual Fund Advisers Trust is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Emerald Mutual Fund Advisers Trust is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

The SEC adopted “Amendments to Form ADV” in July 2010. As you will see, Form ADV part 2 is substantially different than the previous version.

Material Developments at Emerald Mutual Fund Advisers Trust.

This section of the brochure will be used to address material changes since our last delivery or posting on the SEC’s public website.

Since our previous annual amendment in June 2010, Global Capital Management is no longer an affiliate.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. Additionally, we will provide you with other interim disclosure about material changes as necessary.

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Item 4: Advisory Business

Emerald Mutual Fund Advisers Trust (“EMFAT”) is a registered investment adviser investing our client’s assets primarily in U.S. domestic equity securities. Our investment strategies include small, mid and large capitalization stocks. EMFAT has been providing discretionary advisory services to Registered Investment Companies since it was founded in 2005.

EMFAT is a wholly-owned subsidiary of Emerald Advisers, Inc.

As of September 30, 2011 EMFAT had \$251million in discretionary assets under management.

Advisory Services:

For EMFAT’s Small Capitalization products we seek to maximize returns and minimize risks by capitalizing on the inefficiencies inherent in today’s small cap markets.

Our Small Cap Growth product objective is to outperform its Russell Growth Index benchmark by investing in companies with the following attributes:

Capitalization less than or equal to the largest in the Russell 2000.

Competitive advantages

Leadership position

Growth rate exceeds peer group

Differentiated growth drivers

The Smallcap product will include some form of general economic overview, but will concentrate more heavily on fundamental, bottom-up research to identify unrecognized, under-researched companies and their suitability for our client’s objectives. We will review a company’s annual report, 10-k filings and other published information gained from news sources, brokerage reports and recommendations. Whenever possible we will seek to discuss a particular company with its senior management, employees, customers, competitors and brokerage researches who specifically follow that company or its industry. In-person visits with company management are desirable whenever possible.

For EMFAT’s Diversified Financial Services product, through our stock selection process, provides a broad industry mix of financial stocks resulting in diversification within the financial sector. With fewer industry analysts covering community banks, portfolio management seeks to capitalize on undervalued and under-researched opportunities. This product has a growth stock orientation as portfolio management seeks growing companies in a traditional value sector. The

selection process incorporates a focus on high asset quality and attractive valuation along with the following key factors:

Smaller market capitalization
Strong earnings growth
Strong management & execution
Attractive valuations
Growth rate exceeds peer group

EAI may accept client imposed restrictions in our investment adviser accounts. Certain restrictions such as no tobacco or adherence to MacBride principals are accepted.

Item 5: Fees and Compensation

EMFAT's fees are based on a percentage of assets under management and are billed quarterly in arrears. Fees are based on the total portfolio values, including accruals, as of the last business day of the month. Client payment is due to the adviser promptly after billing, which is generally mailed at the beginning of the next calendar quarter. EMFAT may request payment directly from a client's account provided that the client has agreed to the arrangement by signing the management agreement and the client receives copies of all invoices paid. Bills for new accounts activated during the calendar quarter will be pro-rated so that the client pays only for the period of time during which the account was actually managed by the adviser. The management agreement can be terminated by either party with thirty days written notice to the other party by regular U.S mail. No fee will be charged if a new client terminates within five business days after signing the management agreement.

Our current fee schedule is:

For the first \$2,000,000 in assets: .25% per quarter
For the next \$8,000,000 in assets: .1875% per quarter
For assets over \$10,000,000: .15% per quarter

Due to the specific nature of certain client investment programs, these fees can be negotiated depending on the objectives and relative complexity of managing the account.

Account Minimums:

EMFAT's normal minimum to establish an account is \$1,000,000. However, EMFAT may reduce the minimum for certain types of accounts.

Brokerage Commissions and Fees:

In addition to EMFAT advisory fees, clients pay brokerage commission, transaction fees, SEC fees and similar related costs and expenses. Clients will also incur fees from their custodian as well. These fees are not paid to EMFAT. Please see item 12 for a further discussion of our brokerage practices.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance-Based Fees:

Performance-Based Fees are based on a share of relative out-performance of an account's assets. An account that pays a performance-based fee may cause a conflict of interest for an adviser as it may pay a higher total fee than a similar account that pays a fee based on assets under management. EMFAT does not currently have any accounts that pay a performance-based fee, but may accept them in the future.

Side-By-Side Management:

EMFAT does not offer a hedge fund investment product or side-by-side management.

Item 7: Types of Clients

- EMFAT provides advisory services Registered Investment Companies.

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

The entire Emerald investment team is dedicated to intense fundamental, bottom-up research designed to identify unrecognized, under-researched, undervalued as well as overvalued companies. We're constantly on the road visiting companies, meeting management and workers, and touring facilities. This hands-on approach provides Emerald with unique insights into industry trends as well as company specific trends that we believe gives us an advantage over managers who rely solely on traditional, top-down research techniques.

The Emerald process includes the production of an internal report on each company, which includes a brief company description, its competitive advantage, an assessment of management, specific growth drivers, risks, valuation (and its comparables), and why Emerald should buy now. Idea generation resides with Emerald Research and the portfolio management team.

Emerald does not utilize screening in its traditional sense in order to narrow its universe, as we believe our best opportunities are those in which the earnings growth has yet to be reflected in "street/consensus" estimates. Instead the universe is screened on a fundamental bottom up basis by its team of research analysts. Each analyst is assigned to a specific Russell sector and industry. As such each analyst is

responsible for understanding the businesses and prospects of those companies within his or her universe. To meet this objective Emerald's analysts are constantly on the road visiting companies, meeting management and workers, and touring facilities. This hands-on approach provides Emerald insight into industry trends as well as company specific trends. We believe this provides Emerald with an advantage over other managers who rely solely on research from Wall Street firms.

Emerald seeks only companies who have distinct competitive advantages within their respective industries and superior growth rates relative to their peers and the market. Our in-house research team prepares and reviews with portfolio management an internal report on each company that lists the reasons why a specific stock should be considered for purchase.

As a fundamental bottom up small capitalization growth manager, Emerald is seeking companies that meet the following qualitative/quantitative criteria:

- Capitalization less than/equal to the largest Russell 2000 company – Emerald has always been very true to its small capitalization mandate and as such will only add companies to the portfolio that fall within the upper bound of the Russell 2000 index constraints at the time of rebalance.
- Competitive Advantage – A key component to assessing an individual company's growth profile is understanding the competitive dynamics within the industry/sector that the company operates. Emerald's objective in this analysis is to identify those aspects of the business that will provide the company with a competitive advantage during our holding period. Examples include: first to market advantage with a new product or service, patented technology or brand recognition for example.
- Leadership position – Emerald is looking for leadership both in market (#1 or #2 market share, or the opportunity to get there), as well as leadership within the corporate suite. As a small capitalization manager, Emerald is in many cases investing in early stage business that have yet to be proven and in so doing, we believe assessing management's ability to execute on their strategic plan is a critical component to the company's success. Emerald's analysts and portfolio managers collectively conduct more than 2,000 company visits per year. As part of this visit Emerald's objective is to not only qualitatively assess the management acumen of the corporate suite (Chief Executive Officer, Chief Financial Officer), but to do our best to assess the depth of the management ranks in speaking with individuals within key business departments/divisions which may include: manufacturing, marketing, store operations, various segment heads, distribution, etc.
- Growth Rates that Exceed Peer Group – While absolute earnings growth rates will fluctuate based on economic conditions, Emerald strives to identify and

invest in the fastest growing companies within their respective sector and industry. This is born out in the long-term growth rate of the portfolio which has consistently tracked ahead of the long-term growth rate for the index overall.

- Differentiated Growth Drivers – In order to fully understand whether the growth rate described above is reasonable and attainable, it is critical to define what key components of the business will be the drivers of this growth. Examples include: new product, market share gains, store growth and market development/expansion.
- Under-researched – Lastly and not insignificantly, Emerald seeks out those companies that it deems to be under-researched. Under-research is not only defined by the number of analysts that may follow the company, but can also be defined by the relevancy of their coverage.

The role of the research analyst is to conduct the following 10-step Emerald Research Process in conjunction with the portfolio management team to identify new investment ideas and to re-evaluate existing holdings. The process places a heavy emphasis on meeting with company management and conducting independent channel checks with customers, competitors, suppliers, and distributors. We utilize SEC filings, press releases, news articles, product reviews, and other publicly available information in our research process. In addition, our analysts use sell-side research as a secondary source to compare the results of their independent findings. Valuation methods and parameters vary on a company-by-company and industry-by-industry basis.

For example, our analysts emphasize balance sheet strength and asset quality for financial services, same-store sales performance and expansion potential for retailers, discounted cash flow analysis of product pipelines for biotechnology companies, and peak to trough earnings modeling for cyclicals.

10-Step Research Process:

Review SEC filings, press releases and news stories:

The process includes monitoring relevant media sources such as industry press financial press and popular press.

Meet with Management:

Conduct on-site meetings with management across the organization in areas such as executive management, marketing, product development, operations and finance.

Interview Customers:

Interview customers to determine 1) the critical factors driving their buy decision, 2) what competitors or alternatives were considered, 3) level of satisfaction with the quality of the product or service, and 4) likelihood of generating repeat business.

Interview Competitors:

Interview competitors to determine their strengths and weaknesses, as well as the competitors' perception of the strengths and weaknesses of the company.

Interview Suppliers:

Interview suppliers to determine their ability to supply the products/services required by the company. Also, assess the extent of potential supply chain bottlenecks.

Interview Distributors:

Interview distributors to determine potential issues and opportunities in the company's distribution channel such as inventory levels, demand drivers and competitive pressures.

Develop Financial and Valuation Models:

Develop a financial model to analyze financial performance and estimate future cash flows, earnings and financing needs. Use a valuation model to analyze relative and absolute valuation.

Review Third Party Research:

Review published research from sell-side analysts and industry research firms to compare our data points and financial estimates. Also, use third party research to assess security-specific and industry-specific sentiment.

Publish an Internal Research Report:

Publish an internal research report summarizing the company's business, competitive advantages, management strengths/weaknesses, growth drivers and risks, as well as stating investment conclusions and recommendations.

Communicate, Communicate, Communicate:

The entire research team meets formally twice per week and informally on an ongoing basis with the portfolio management team to discuss the fundamentals of all current and potential holdings. Internal discussions are held throughout the process.

Risk of Loss:

Risk: Investing in the stocks of publicly traded companies involves risk. All methods of analysis carry the risk that the data is interpreted incorrectly. This would lead to the risk that the investment's actual return will be different than the expected return. Risk includes the possibility of losing some or all of your investment.

Item 9: Disciplinary Information

We are required to disclose any disciplinary events that are material to a client's or prospective client's evaluation of EMFAT as an investment adviser. EMFAT does not have any disciplinary history to report.

Item 10: Other Financial Industry Activities and Affiliations

Certain management or adviser personnel are Series 7 licensed registered representatives with ALPS Fund Distributors for the sole purpose of wholesaling the Forward Funds which we sub-advise.

Emerald Advisers, Inc. (EAI) is the parent company to EMFAT. EAI is a wholly-owned subsidiary of Emerald Asset Management and one outside minority shareholder. Joseph Edward Besecker is the principal shareholder in Emerald Asset Management.

EMFAT acts as an investment sub-adviser registered investment companies. Where suitable, EAI may recommend the purchase of shares of the Forward Funds for client accounts. No separate advisory fees are charged on assets held in the Forward Funds. However, the client will pay operating expenses associated with the mutual fund to the investment company.

EAI is a majority owner in Emerald Fixed Income Advisers (EMFINC). EMFINC acts as an investment adviser for clients investing in fixed income. EMFINC manages assets for a special purpose fund, Emerald TALF Fund LP. This fund invests in assets through the TERM Asset-Backed Securities Loan Facility (TALF) of the NY Federal Reserve Bank. EmTALF GP is the general partner of the Fund, and is owned by EMFINC. TALF was created to stabilize the asset-backed and residential mortgage markets during the financial crisis. There is one limited partner in the fund. Clients of EAI may also be invested in EMFINC or the Emerald TALF Fund.

Emerald Asset Management is the parent company of Emerald Separate Account Management (EMSAM). EMSAM is an adviser to equity separate accounts.

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

Code of Ethics

EMFAT maintains and enforces a Code of Ethics which establishes the standards of business conduct that we require of our employees, including compliance with applicable securities laws. The EMFAT Code of Ethics and Compliance Manual detail EMFAT procedures for managing conflicts of interest in Personal Trading, Material Non-Public Information and giving and receiving gifts. Employees must acknowledge in writing each year their commitment to the terms of the Code of Ethics. To receive a copy of our Code of Ethics, contact Julie Clawser at 717-396-1116 or by email at jclawser@teamemerald.com

Personal Trading

EMFAT personnel may purchase for their personal accounts the same securities that EMFAT purchases for client accounts. EMFAT personnel must pre-clear all equity security transactions. EMFAT prohibits gains on the purchase and sale of equity securities within 60 days. There is a possibility that employees might benefit from market activity from our client's accounts.

As addressed in section 10, EAI is a majority owner of EMFINC. EMFINC manages assets for a special purpose fund, Emerald TALF Fund LP. This fund invests in assets through the TERM Asset-Backed Securities Loan Facility (TALF) of the NY Federal Reserve Bank. EmTALF GP is the general partner of the Fund, and is owned by EMFINC. TALF was created to stabilize the asset-backed and residential mortgage markets during the financial crisis. There is one limited partner in the fund. Clients of EAI may also be invested in EMFINC or the Emerald TALF Fund.

Item 12: Brokerage Practices

Each client executes a management agreement with the Adviser, which gives EMFAT full discretionary authority to buy and sell client securities without specific further client consent. Exceptions may apply if a client is in a directed brokerage arrangement.

EMFAT has established a Trading Procedures & Best Execution Committee that will provide for "Best Practices" for the Trade Desk operations ranging from the start of a transaction through the affirmation process. The committee is responsible for

approval of all brokerage relationships, trade procedures and compliance with all regulatory authorities. The committee will maintain a list of brokers which are approved for the Trade Desk to utilize for all investment products. Changes to the approved broker list are made when the Trading Procedures & Best Execution Committee meet. The committee considers the following criteria for approving a brokerage firm.

- Ability to find liquidity
- Ability to act as a market maker and execute among many markets in a time sensitive manner.
- Ability to execute in difficult markets
- Access to research (proprietary and third party) as well as IPO's
- Ability to execute efficiently with little if any settlement/custodial problems
- Timely reporting of order executions
- Custody of client securities

In addition to these factors EMFAT may consider brokerage and research services in selecting broker-dealers. These services include advice, either directly or through publications, as to the value of securities, the advisability of purchasing or selling securities, analyses and reports concerning issuers, securities or industries; information on economic factors and trends; assistance with portfolio strategies; computer software used in security analysis; portfolio performance evaluation services and technical analysis. These services may be provided by on a proprietary basis where EMFAT trades with a particular desk and receives these services. Additionally, these services may be developed by a third party.

EMFAT may pay a broker-dealer that provides brokerage and research services commissions in excess of the amount another broker-dealer might have charged for effecting the same transaction. This occurs when we believe that the amount paid is reasonable in relation to the services provided. Some of the brokerage and research services we receive may benefit all or our clients as a whole, while other services may benefit a specific segment of our clients. We do not attempt to match a particular client's trade execution with broker-dealers that provide brokerage and research service directly benefiting such client's account.

Paying for research with client commission dollars is commonly referred to as using "Soft Dollars" to pay for research. Using soft dollars to pay for research creates a conflict of interest for the adviser. Because many of the products or services that we receive with soft dollars could be considered to provide a benefit to EMFAT, we may have a conflict in allocating client commission dollars. We may choose to execute a transaction through a particular broker-dealer from which we receive research even though a different broker-dealer may have charged less commission. Additionally, this could cause EMFAT to trade more frequently to generate a greater total of soft dollars.

We may use research service from a broker-dealer for purposes other than investment decision-making under Section 28(e). In these circumstances, an adviser will make a good faith allocation with respect to such research services and directly pay for the allocated portion of the research services not used for investment decision-making purposes. We will have a conflict of interest in making allocations for such mixed-use research.

The Trading Procedures & Best Execution Committee meets to review brokers, the previous quarter's trades and examine brokerage commission, soft dollar reports and approve the soft dollar budget.

EMFAT does not select brokers to execute client transactions to receive client referrals.

EMFAT will endeavor to bunch trades for clients in order to effect best execution at the lowest cost (commissions and spread) and to avoid disparities in execution prices for accounts that are managed similarly. These clients will receive the same average price and pro rata execution. EMFAT will permit a client to direct their own security transactions to a specific broker dealer that they choose. If a client uses a directed broker their account execution price may be different than the bunched trade price due to difference in the number of shares traded or movement and volatility of the stock or markets in general. A client directing all or a portion of their trading activity should satisfy themselves that the broker-dealer they have selected can adequately provide price and execution on their transactions. The client should weigh a variety of factors including portfolio turnover rate, the value of custodial and other services provided along with any fees that are charged when comparing to the cost if the adviser were free to negotiate commissions.

Item 13: Review of Accounts

Account Reviews

All accounts are reviewed at least bi-weekly by a portfolio manager of the firm. All accounts are reviewed as to the continued relevancy of client objectives and the adherence to those objectives. In addition, all securities held in client accounts are reviewed daily by an officer of the firm, evaluating their performance relative to the financial markets in general. Major economic events will trigger a review of all accounts.

Client Reports

Reports are issued to each client upon the conclusion of each calendar quarter or account termination, mailed or e-mailed to clients within thirty days following the quarter's end. The report relates pertinent information of the account, including buy not limited to: a portion of each security held, portfolio transactions, performance to-date, and when deemed appropriate, specific comments regarding a particular

security, industry or economic development. In addition, more detailed client reviews are held when the EMFAT deems the situation warrants a closer review of the client's progress or stated objectives.

Item 14: Client Referrals and Other Compensation

EMFAT may enter into written agreements with certain persons pursuant to which we pay a non-supervised person a cash referral fee for soliciting clients on our behalf. This is in accordance with Rule 206 (4)-3 of the Investment Advisers Act. If we pay a referral fee, the client is informed under separate disclosure that includes the following:

- The Solicitor's name and relationship to the firm
- That the Solicitor is being paid a referral fee
- The amount of the fee
- The effect the Solicitor's fee will have on the client's fee.

Item 15: Custody

EMFAT does not maintain custody of client assets. Clients are responsible for selecting custodians to hold funds and securities within investment accounts managed on their behalf.

EMFAT prepares quarterly statements for our clients showing portfolio holdings, transactions and performance. As the custodian's statements are considered to be the official record for client accounts, each client should compare statements from EMFAT and their custodian. EMFAT client reports may vary from custodian reports due to accounting procedures, reporting dates or security valuation.

Item 16: Investment Discretion

Upon executing the client agreement, the client and adviser determine general investment guidelines. Factors taken into consideration include a client's particular circumstances such as risk tolerance, time horizon, income needs, tax liability and other times which may have a bearing on investment approach utilized. EMFAT will then have full discretionary authority to pursue client objectives as set forth in the management agreement. If a client imposes restrictions which limit discretion, performance may deviate from other accounts managed in the same style.

Item 17: Voting Client Securities

EMFAT will accept authority to vote client security proxy ballots as part of our fiduciary duty. EMFAT will vote all proxies in the best economic interest of our clients. Our proxy voting policy sets forth our guidelines for voting which includes selecting directors, ensuring the directors have properly supervised management, and to resolve conflict issues. In selections of the Board of Directors, EMFAT will vote in a manner that will ensure independence between directors and management and that directors are adequately representing shareholders.

If a client retains proxy voting authority, the client should review proxy voting with their custodian. If a client retains proxy voting authority and would like to ask questions about a particular proxy solicitation, contact Julie Clawser at 717-396-1116 or email jclawser@teamemerald.com.

To obtain a copy of the EAI proxy voting policy or to inquire about how securities were voted, contact Julie Clawser at 717-396-1116 or email jclawser@teamemerald.com.

Item 18: Financial Information

As an SEC-registered investment adviser, we are required to disclose certain information regarding our financial condition. We have no financial obligation that impairs our capacity to meet contractual or fiduciary commitments to our clients. We have not been the subject of a bankruptcy proceeding. An independent accounting firm prepares our financial audit.