



**PART 2A OF FORM ADV – FIRM BROCHURE**

**SW ASSET MANAGEMENT LLC**

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**March 29, 2012**

**This brochure provides information about the qualifications and business practices of SW Asset Management LLC (“SW”). If you have any questions about the contents of this brochure, please contact us at (949) 207-6313 or [bvenable@sw-assetmanagement.com](mailto:bvenable@sw-assetmanagement.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT SW OR ANY PRINCIPALS OR EMPLOYEES OF SW POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.**

## **Item 2 - Material Changes**

The following is a summary of only the **material** changes to the Brochure since SW's last annual update of its brochure that was dated on March 29, 2011.

As of June 15, 2011, Forward Management, LLC became a 5% owner of SW Asset Management, LLC.

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## **SUPPLEMENT – BIOGRAPHIES OF KEY PERSONNEL**

#### **Item 4 - Advisory Business**

SW is a limited liability company organized under the laws of Delaware in November, 2008. SW is 95% owned by its partners. The principal owners of SW are David C. Hinman and Raymond T. Zucaro. Forward Management, LLC owns 5% of SW Asset Management, LLC. As of March 29, 2012, SW had discretionary assets under management of approximately \$129,640,293.

SW provides its clients with discretionary investment advisory services focusing on global credit with an emphasis on emerging market credit investment opportunities.

SW is generally granted broad investment authority with respect to the management of the accounts of its clients. All client accounts are managed in an effort to maximize total return through capital appreciation and income from investments in public and private investment-grade, non-investment-grade and un-rated debt securities, loans, options, convertible debt and credit default swaps of corporate issuers and other financial instruments. SW has a global investment perspective and may invest a substantial portion of its assets in securities issued by companies domiciled in or with substantial operations in emerging market countries.

SW generally provides investment advisory services based on the investment objectives, risk profile, financial situation and cash flow needs of each client, as reflected in the confidential private placement memorandum, operating agreement, investment management agreement and/or other governing documents that apply to each client account (the “Governing Documents”). The Governing Documents may contain investment restrictions or guidelines with respect to the types or amounts of securities or other financial instruments that may be purchased or sold for the client’s account. SW may pursue different investment strategies for different clients.

#### **SW Global Credit Opportunity Fund, LP Summary**

As of March 29, 2012, SW provides discretionary investment advisory services to one private investment fund, the SWGCO Master Fund Ltd. (the “Fund”). The Fund’s primary investment objective is to maximize total return through capital appreciation and income from long and short investments in, without limitation, public and private investment-grade, non-investment-grade and un-rated debt securities, loans, options, convertible debt and credit default swaps of corporate issuers. The Fund has a global mandate and may invest a substantial portion of its assets in securities issued by companies domiciled in or with substantial operations in emerging market countries. Many of these emerging market countries have unstable governments and less developed legal systems. Investors and prospective investors in the Fund should refer to the Fund’s Governing Documents for more complete information on the investment objectives and investment restrictions with respect to the Fund. There is no assurance that the Fund’s investment objective will be achieved.

## **Forward Funds Summary**

As of March 29, 2012, SW also serves as sub-advisor to two registered investment companies advised by Forward Management, LLC. These two registered investment companies are the Forward EM Corporate Debt Fund and the Forward Global Credit Long/Short Fund. The Forward EM Corporate Debt Fund was previously called the Forward International Fixed Income Fund. The name change and new principal investment strategies of the Forward EM Corporate Debt Fund became effective May 1, 2011.

Under normal conditions, the Forward EM Corporate Debt Fund invests at least 80% of its net assets plus borrowings for investment purposes, if any, in a diversified portfolio of fixed income securities of companies located in emerging market countries. The Forward EM Corporate Debt Fund seeks to capitalize on the inefficient emerging market corporate bond market by offering exposure primarily to euro- and U.S.-dollar-denominated fixed income securities of emerging market issuers and related derivatives. The Forward EM Corporate Debt Fund normally invests its assets among at least ten emerging market countries throughout the world.. The Forward EM Corporate Debt Fund normally limits its investment in any one emerging market country to no more than 35% of its net assets at time of purchase, and normally limits its investment in any one issuer to no more than 5% of its net assets at the time of purchase. An issuer of a security generally will be considered to be located in a particular emerging market country if it meets one or more of the following criteria: (i) the issuer is organized under the laws of, or maintains its principal place of business in, the country; (ii) during the issuer's most recent fiscal year, it derived at least 50% of its revenues or profits from goods or services produced or sold, investments made or services performed in the country; or (iii) the issuer has at least 50% of its assets in the country.

Under normal conditions, the Forward Global Credit Long/Short Fund invests at least 80% of its net assets plus borrowings for investment purposes, if any, in a diversified portfolio of fixed income securities. The Forward Global Credit Long/Short Fund seeks to capitalize on inefficiencies in the bond market by offering exposure primarily to U.S. dollar-, euro- or British pound-denominated securities, although securities denominated in other currencies, including currencies of emerging market countries, will be considered. The Forward Global Credit Long/Short Fund normally limits its net (long and short) exposure to any one country to no more the 35% of its net assets at the time of purchase, and it normally limits its net (long and short) exposure to any one issuer to no more than 5% of its net assets at the time of purchase. Under normal conditions, the Forward Global Credit Long/Short Fund will invest in a minimum of five countries and at least 40% of its net assets in the securities of issuers located outside the U.S., including in issuers located in emerging markets and frontier markets, although the fund expects to normally invest, both long and short, in at least ten countries throughout the world.

Investors and prospective investors in either the Forward EM Corporate Debt Fund or the Forward Global Credit Long/Short Fund should refer to the Forward Fund's Governing Documents for more complete information on the investment objectives and investment

restrictions with respect to these funds. There is no assurance that the Forward EM Corporate Debt Fund's or Forward Global Credit Long/Short Fund's investment objective will be achieved.

### **Hatteras Fund Summary**

As of March 29, 2012, SW also serves as sub-advisor to Hatteras Relative Value, a Series of Underlying Funds Trust in which Hatteras Alternative Mutual Funds, LLC serves as the advisor. SW has discretionary authority to employ its long/short global credit strategy by investing in a portfolio of primarily U.S. dollar-denominated corporate debt obligations of companies domiciled and with primary operations in emerging market countries. The portfolio may be hedged using broader based market derivatives. To achieve its investment objectives, SW may invest in corporate debt instruments (except local currency corporate debt), preferred securities, bank loans, structured notes/hybrid instruments, credit default swaps, options, ETFs, common equity and equity derivatives. Investors and prospective investors in the Hatteras Funds should refer to the Hatteras Fund's Governing Documents for more complete information on the investment objectives and investment restrictions with respect to these funds. There is no assurance that the Hatteras Fund's investment objective will be achieved.

### **Separate Managed Accounts Summary**

As of March 29, 2012, SW also provides discretionary investment advisory services to Bivium Capital Partners – Maryland State Retirement and Pension System. To meet the performance objectives of this portfolio, SW invests in a diversified portfolio of emerging market corporate debt securities. This portfolio is invested in the securities of companies located in at least eight different countries so as to diversify risk. SW may invest in U.S. and non-U.S. dollar denominated corporate debt, Yankee, convertible, and defaulted debt as well as warrants, perpetual and paid-in-kind debt instruments. A portion of the portfolio may also be held in cash or money market instruments.

SW may in the future provide advisory services, either on a discretionary or non-discretionary basis, to other private investment funds and managed accounts.

SW does not participate in any wrap fee programs.

SW manages all assets on a discretionary basis in accordance with the terms and conditions of each client's Governing Documents. As of March 29, 2012, the amount of assets SW manages on a discretionary basis is approximately \$129.64 million.

## **Item 5 - Fees and Compensation**

### *Compensation and Fee Schedules*

#### **SWGCO Master Fund Ltd.**

The basic fee charged to clients and investors is a management fee equal to 1.5% per annum, payable quarterly in advance, of each client or investor's capital account value as of the beginning of each calendar quarter. An additional management fee will be charged on a prorated basis on any capital contribution made by a client or investor on any date other than the first day of a calendar quarter.

In addition, at the end of each calendar year, SW Capital Partners, L.P. ("SW Capital"), a Delaware limited partnership and an affiliate of SW, will receive a special allocation of net profits of the SWGCO Master Fund Ltd. and its off-shore feeder fund (the "Performance Allocation") equal to 20% of the portion of each client's or investor's pro rata share of the net realized and unrealized appreciation in the value of the assets of the client or the Fund for such calendar year in excess of any net depreciation allocated to such investor's capital account and carried forward from any prior year (i.e., subject to a high-water mark). The Performance Allocation will also be calculated and payable as of the date of withdrawal with respect to any capital that is withdrawn as of any day other than the end of a calendar year. Any such loss-carry forward will be adjusted in proportion to withdrawals by an investor.

In certain circumstances, the advisory fees payable to SW and/or SW Capital may be negotiable. SW agreed to reduce its fees charged to the initial investors in the Fund. All clients and investors should review the Governing Documents in conjunction with this brochure for more complete information on the fees and compensation payable with respect to SW.

Clients, as well as investors and prospective investors in the Fund, should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. Different client accounts may be subject to different management fees and performance-based compensation arrangements.

#### **Forward EM Corporate Debt Fund**

Pursuant to its current sub-advisory agreement with Forward Management, SW receives an investment sub-advisory fee, which is computed daily and paid monthly, at the annual rate of 0.35% based on the average daily net assets of the fund.

#### **Forward Global Credit Long/Short Fund**

Pursuant to its current sub-advisory agreement with Forward Management, SW receives an investment sub-advisory fee, which is computed daily and paid monthly, at the annual rate of 1.00% based on the average daily net assets of the fund.

**Hatteras Relative Value, A Series of Underlying Funds Trust**

Pursuant to its current sub-advisory agreement with Hatteras Funds, SW receives an investment sub-advisory fee, which is computed daily and paid monthly, at the annual rate of 1.00% based on the average daily net assets of the fund.

**Bivium Capital Partners – Maryland State Retirement and Pension System**

For the discretionary investment advisory services provided to the Bivium Capital Partners – Maryland State Retirement and Pension System portfolio, SW receives a fee of 0.55%.

*Deduction of Fees***SWGCO Master Fund Ltd.**

The management fee is usually deducted directly from each client or investor account as such fee becomes payable, which is generally quarterly in advance. The performance allocation is payable annually in arrears, or upon the termination of a client account.

SW is authorized under the Governing Documents to charge and deduct advisory fees directly from the assets of the client, at the times and in the amounts described above.

**Forward EM Corporate Debt Fund and Forward Global Credit Long/Short Fund**

Sub-advisory fees paid are computed and accrued daily and paid monthly in arrears based on the net asset value of shares of the Forward Funds. SW does not have authority to charge or deduct sub-advisory fees directly from the assets of the Forward Fund.

**Hatteras Relative Value, A Series of Underlying Funds Trust**

Sub-advisory fees paid are computed and accrued daily and paid monthly in arrears based on the net asset value of shares of the Hatteras portfolio. SW does not have authority to charge or deduct sub-advisory fees directly from the assets of the Hatteras Relative Value Fund.

**Bivium Capital Partners – Maryland State Retirement and Pension System**

Investment management fees are payable quarterly in arrears based on the market value of the portfolio, adjusted for additions or withdrawals during the quarter, at the end of each calendar quarter. At the end of each quarter, SW provides an invoice to Bivium Capital Partners who then forwards on to the Maryland State Retirement Agency. Once approved, the Maryland State Retirement Agency directs the portfolio's custodian to deduct the fees from the portfolio to pay SW.



### *Other Fees and Expenses*

#### **SWGCO Master Fund Ltd.**

Clients bear all expenses associated with their investment activities and operations, including brokerage commissions; clearing fees; research and data service costs; fees, interest and other costs on margin accounts or other borrowings; borrowing charges on securities sold short; accounting and legal fees and disbursements; audit and tax preparation expenses; custodial fees; bank service fees; investment and trading consultant expenses; investment-related travel expenses; expenses in connection with proposed transactions (including transactions that fail to close); insurance costs; fees and expenses of the client's administrator and custodian; fees and expenses of the directors of the client; and expenses related to communicating with investors or holding annual meetings.

The section below titled "Brokerage Practices" describes the factors SW considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

#### **Forward EM Corporate Debt Fund and Forward Global Credit Long/Short Fund**

Fees and expenses are detailed in the Forward Fund's Governing Documents. As sub-advisor, SW only receives a sub-advisor fee.

#### **Hatteras Relative Value, A Series of Underlying Funds Trust**

Fees and expenses are detailed in the Hatteras Fund's Governing Documents. As sub-advisor, SW only receives a sub-advisor fee.

#### **Bivium Capital Partners – Maryland State Retirement and Pension System**

The Maryland State Retirement Agency does incur other fees and expenses related to this portfolio but SW has no visibility into those costs. SW only receives the compensation detailed above.

### *Transaction-Based Compensation*

Neither SW nor its supervised persons will accept compensation for the sale of securities or other investment products by any client.

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

### *Performance-Based Fees*

#### **SWGCO Master Fund Ltd.**

SW Capital ordinarily receives a performance allocation as described more fully above under “Compensation and Fee Schedules.” The performance-based allocation arrangement discussed above complies with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”). Performance allocations paid to SW Capital are separate and distinct from the advisory fees charged by SW for advisory services.

Performance-based compensation arrangements received by SW Capital may create an incentive for SW to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

In addition, different client accounts may be subject to different performance-based compensation arrangements. If SW, or its affiliates, is entitled to receive a higher percentage of the net profits of the account of one client than the percentage that SW, or its affiliate, receives from another client, then SW may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that is subject to the higher percentage. However, SW anticipates that all accounts will generally be invested on a parallel basis, except as otherwise discussed with or agreed to by a particular client. SW will, as a policy, allocate all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by SW in allocating trades among client accounts are: investment policies, guidelines or restrictions; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

## **Item 7 - Types of Clients**

SW provides advice to the SWGCO Master Fund Ltd. (the “Fund”), the Forward EM Corporate Debt Fund and the Forward Global Credit Long/Short Fund (the “Forward Funds”), the Hatteras Relative Value, A Series of Underlying Funds Trust (the “Hatteras Fund”), and to the Bivium Capital Partners – Maryland State Retirement and Pension System and may in the future provide advice to other managed accounts.

### **SWGCO Master Fund Ltd.**

The investors in the Fund may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans. The Fund is offered exclusively to “accredited investors” as defined in Regulation D under the Securities Act of 1933 (the “Securities Act”) and “qualified purchasers” pursuant to Section 3(c) (7) of the Investment Company Act of 1940 (as amended, the “Company Act”), and therefore is not required to register as an investment company under the Company Act in reliance upon an exemption available to funds whose securities are not publicly offered.

SW has established onshore and offshore feeder funds (“Feeder Funds”) to address certain tax or regulatory requirements of specific investors. Prospective investors should refer to the Governing Documents of the Fund and the Feeder Funds for more complete details on each Feeder Fund.

### **Forward Funds**

SW provides sub-advisory service to the Forward EM Corporate Debt Fund and the Forward Global Credit Long/Short Fund (the “Forward Funds”). Forward Fund shares are offered by various financial intermediaries as well as by ALPS Distributors, Inc. The investors in the Forward Funds may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans. The Forward EM Corporate Debt Fund has 3 share classes while the Forward Global Credit Long/Short Fund has 4 share classes. Investors and potential investors should refer to Forward Funds’ Governing Documents for more information.

### **Hatteras Relative Value, A Series of Underlying Funds Trust**

The Hatteras Alternatives Mutual Funds Trust are a family of registered investment companies that each invest with several investment managers. These funds are offered by various financial intermediaries as well as by U.S. Bancorp Fund Services, LLC. Investors and potential investors should refer to the Hatteras Fund’s Governing Documents for more information.

SW may also provide investment management and supervisory services to separate account clients.

### *Minimum Investment Requirements*

#### **SWGCO Master Fund Ltd.**

SW and its related persons require that each investor in the Fund be an “accredited investor” as defined in Regulation D under the Securities Act and a “qualified purchaser” as defined in the Company Act.

Generally, investors must invest a minimum dollar amount of \$1,000,000 to invest in the Fund. SW may waive the minimum investment amount.

#### **Forward Funds**

The Forward EM Corporate Debt Fund’s and the Forward Global Credit Long/Short Fund’s Governing Documents provide details on minimum investment requirements.

#### **Hatteras Fund**

The Hatteras Fund’s Governing Documents provide details on minimum investment requirements.

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

The following is a general discussion of the methods used by SW in its investment advisory services provided to clients. Each client may contain investment restrictions or guidelines with respect to the types or amounts of securities or other financial instruments that may be purchased or sold for the client’s account. SW will manage each client’s portfolio according to these investment restrictions or guidelines; all strategies detailed below may not be utilized for a specific client given these parameters.

#### *Methods of Analysis*

Investments, and potential investments, are analyzed by SW’s investment professionals using three key principles: (i) long credit positions should be hedged; (ii) fundamental analysis is necessary but not sufficient, and (iii) emerging market corporate instruments are under-followed and under-appreciated.

Credit markets are subject to periods of extreme volatility and SW strives to hedge these risks where possible. While fundamental analysis is a critical part of the investment process, thoroughly understanding technical factors such as exogenous shocks are extremely important to security selection and portfolio construction. SW’s portfolios will have substantial investments in corporate securities issued by companies in developing countries. The present investment market structure tends to favor developed market debt instruments over those of less developed countries, leading to wide valuation disparities. SW will seek to capitalize on the various factors of the inefficient emerging market corporate bond market.

The investment process is currently an iterative multi-step process conducted by SW's investment professionals. Investment ideas originate from SW's ongoing coverage of the secondary markets as well as extensive industry contacts. After an initial review, SW may choose to conduct a more in-depth fundamental investment analysis of a particular investment. Such additional analysis will generally be tailored to the perceived risk profile of the potential investment target, and will typically involve specific quantitative and qualitative assessments of multiple factors, including a company's business model, operating strength, cash flow and financial prospects. Should the conclusion of the fundamental analysis result in a buy or sell decision, analysis of technical factors (such as holder composition and forced-sale triggers) would follow. Once an investment resides in the portfolio, exit catalysts are constantly monitored relative to other available investments. Throughout the process and if suitable for the client's portfolio, SW looks for opportunities and instruments to hedge the portfolio's long holdings. Critical to the hedging strategy is the identification of risk factors, in addition to a company's operations, that could result in significant price impairment to the position. Hedge instruments are employed that SW believes possess the best cost-benefit ratio relative to what is being hedged.

### *Material Risks*

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that SW will be able to choose, and that clients will be able to make and/or realize, any particular investment or that clients will be able to generate positive returns. Clients and investors in the funds should be prepared to bear a risk of loss and should carefully consider, among other factors, the following material risks involved with SW's investment strategies. Prospective investors in the portfolios managed by SW should refer to the applicable Governing Documents for complete information on investment strategies employed by SW and the corresponding risks associated with such investment strategies.

All investments risk the loss of capital. No guarantee or representation is made that SW's investment portfolios will be successful, and investment results may vary substantially over time. SW's investment program may utilize investment techniques such as futures, options, derivatives, margin transactions and short sales, which practices can, in certain circumstances, maximize the adverse impact to which the investment accounts may be subject. Past performance is in no way an indication of future performance.

### **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SW Asset Management, LLC or the integrity of SW's management. SW and its principals have no information applicable to this Item.

### **Item 10 - Other Financial Industry Activities and Affiliations**

#### *Registered Broker-Dealer*

None of SW or any of its employees are registered as a broker-dealer or a registered representative of a broker-dealer or affiliated with any broker-dealer, bank or other financial services firm.

#### *Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors*

None of SW or any of its employees is registered as a registered futures commission merchant, commodity pool operator and/or commodity trading advisor.

#### *Relationships with Related Persons*

As discussed above under "Participation or Interest in Client Transactions; Personal Trading", SW is the managing member or investment manager for the SWGCO Master Fund Ltd. and its Feeder Funds. In addition, at the end of each calendar year, SW Capital Partners, L.P. ("SW Capital"), a Delaware limited partnership and an affiliate of SW, will receive a special allocation of net profits of the SWGCO Master Fund Ltd. and its off-shore feeder Fund (the "Performance Allocation") equal to 20% of the portion of each client's or investor's pro rata share of the net realized and unrealized appreciation in the value of the assets of the client or the Fund for such calendar year in excess of any net depreciation allocated to such investor's capital account and carried forward from any prior year (i.e., subject to a high-water mark).

Also as noted above, Forward Management, LLC owns a 5% stake in SW Asset Management, LLC. Forward Management, LLC also is the adviser to the Forward EM Corporate Debt Fund and the Forward Global Credit Long/Short Fund; both of these funds are sub-advised by SW Asset Management, LLC. SW does not believe that this creates a material conflict of interest for clients.

#### *Selection or Recommendation of Other Advisers*

SW does not recommend or select other investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of

interest. SW does not have other business relationships with other advisers that create a material conflict of interest.

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

#### *Code of Ethics*

SW has adopted a Code of Ethics under Rule 204A-1 of the Advisers Act reflecting SW's commitment to ethical conduct. SW's Code of Ethics describes its fiduciary duties and responsibilities to its clients, and sets forth SW's (i) policies on receipt of gifts by employees and campaign contributions and (ii) practice of monitoring the personal securities transactions of supervised persons with access to client investment recommendations. Under SW's Code of Ethics, all supervised personnel have a duty to act only in the best interests of the clients and all potential conflicts and violations of the Code of Ethics must be promptly reported to SW's Chief Compliance Officer ("CCO"). All supervised personnel must acknowledge the terms of the Code of Ethics annually, or as amended. It is the policy of SW that no person employed by SW shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, SW requires that anyone associated with its advisory practices with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's CCO. SW requires such "access persons" to also receive approval from the CCO prior to investing in any initial public offerings or private placements.

In an effort to prevent inappropriate securities transactions by SW's personnel, the CCO will maintain and make available a list of restricted securities. Access persons are strictly prohibited from trading on their own behalf in restricted securities without obtaining the prior written approval of the CCO.

SW requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. SW's Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

SW will provide a complete copy of its Code of Ethics to any person upon request.

#### *Participation or Interest in Client Transactions; Personal Trading*

SW personnel may not cause or attempt to cause any fund or other client portfolio to purchase, sell or hold any security for the purpose of creating any personal benefit for SW personnel. Sections 206(1) and 206(2) of the Advisers Act generally prohibit an



adviser from employing a “device, scheme or artifice” to defraud Clients or engaging in a “transaction, practice or course of business” that operates as a “fraud or deceit” on clients. While these provisions speak of fraud, they have been construed very broadly by the SEC and used to regulate, through enforcement action, many types of adviser behavior that the SEC deems to be not in the best interest of clients or inconsistent with fiduciary obligations. One such category of behavior is taking advantage of investment opportunities for personal gain that would be suitable for clients.

Accordingly, SW personnel may not take personal advantage of any opportunity properly belonging to SW or any client. This principle applies primarily to the acquisition of securities of limited availability for one’s own account that would be suitable and could be purchased for the account of a client, or the disposition of securities from a personal account prior to selling a position from the account of a client under circumstances when immediate disposition has been found appropriate by SW. On the other hand, in the case of trades in listed securities in liquid markets, where the employees’ participation will not affect client investment opportunities, employees may transact in the security, subject to the restrictions set forth in SW’s Code of Ethics.

Under certain limited circumstances, and only with the prior written approval of Chief Compliance Officer, an employee may participate in certain opportunities of limited availability that are deemed by the Chief Compliance Officer not to have an adverse effect on any client.

In certain situations, related persons of SW are permitted to purchase securities held by one or more clients. All such purchases are subject to compliance with SW’s Code of Ethics as described above.

From time to time, SW may cause a client to engage in “cross trades” via the purchase of securities from or sale of securities to another client, provided that the sale or purchase is consistent with SW’s fiduciary obligations to each client.

## **Item 12 - Brokerage Practices**

### *Research and Other Soft Dollar Benefits*

Since firm inception, SW has not entered into any soft dollar arrangements. As SW primarily transacts in fixed income securities, very few trades conducted by SW are charged commissions. At this time, SW has no intentions to enter into any soft dollar arrangements.

### *Brokerage for Client Referrals*

Subject to SW’s obligation to seek best execution of all transactions for its clients, SW may consider referrals of potential clients or investors in determining its selection of broker-dealers. SW may have an incentive to select or recommend a broker-dealer based on its interest in receiving client or investor referrals, rather than on its clients’ interest in



receiving the most favorable execution. During the past year, no such transactions were directed to broker-dealers in return for client referrals.

#### *Directed Brokerage*

SW does not have any directed brokerage arrangements with clients.

#### *Trade Aggregation*

SW may place orders for more than one client account simultaneously. SW may also use an omnibus account to facilitate trading. The proposed allocation of any order placed on behalf of more than one client account is generally determined prior to placing the order. If all orders are not filled at the same price, then SW may cause each account to pay or receive the average of the prices at which the orders were filled for all accounts. If all orders placed for client accounts cannot be fully executed under prevailing market conditions, then the securities traded may be allocated among client accounts on a pro rata basis or in some other equitable manner, taking into account the size of the order placed for each account and any other relevant factors. Such aggregation of orders may not always be to the benefit of a client with regard to the price or quantity executed.

### **Item 13 - Review of Accounts**

#### *Review of Client Accounts*

All client accounts are reviewed on a daily basis by either David Hinman (Chief Investment Officer), Raymond Zucaro (Portfolio Manager), or Robert Venable (Chief Operating Officer).

#### *Reports to Clients*

Investors in the SWGCO Master Fund Ltd. receive a monthly statement of valuation from State Street Bank and Trust Company and annual audited financial statements. Investors in any fund that is treated as a partnership for U.S. federal income tax purposes will receive a schedule K-1 after the end of each calendar year. Investors in the Fund may also receive a monthly newsletter.

Prospective investors in the Fund should refer to the applicable Governing Documents for further information on the reports provided by SW to clients and investors.

Forward Funds provides periodic account statements to investors in the Forward EM Corporate Debt Fund and the Forward Global Credit Long/Short Fund. Investors should refer to the Governing Documents for further information.

Hatteras Funds provides periodic account statements to investors in the Hatteras family of mutual funds. Investors should refer to the Governing Documents for further information.

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

SW has entered into a compensation arrangement with CapStone Investments, an unaffiliated broker/dealer, for introducing clients and investors to SW. Any sales charge associated with this arrangement will ultimately be payable by SW or its related persons, either directly or through an offset of the management fee payable by the applicable client to SW. A client or investor will not be charged any additional amount or bear any additional charges as a result of an introduction through a placement agent or other unaffiliated third party. As described above, SW may consider referrals of clients and investors in determining its selection of broker-dealers for securities transactions.

SW endeavors at all times to put the interests of its clients first as part of SW's fiduciary duty. Nevertheless, the receipt of compensation by a placement agent and the potential for receipt of brokerage commissions by broker-dealers creates a potential conflict of interest, and may affect the judgment of placement agents and broker-dealers when making referrals to SW and the Fund. Moreover, a potential conflict of interest may arise between the Fund investors' and clients' interests in obtaining best price and execution and SW's interest in receiving future referrals. SW will address this conflict of interest by seeking to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience and such other factors as SW deems relevant and beneficial to its clients.

#### **Item 15 - Custody**

SW will not have physical custody of any client assets. However, SW may be deemed to have custody of the assets of its clients as a result of its authority over its clients. All client funds and securities will be held by a qualified custodian designated by SW, if it serves as investment advisor. The qualified custodian will send an account statement, at least quarterly, to each advisory client. Clients should carefully review these account statements.

It is SW's policy to cause the Funds that it has advisory responsibility to be audited annually and to distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to clients and/or Fund investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any client account (including the Fund), SW will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such client account to the client and/or the investors promptly after completion of the audit.

### **Item 16 - Investment Discretion**

Subject to the investment objectives, policies and restrictions of each client account as set forth in the applicable Governing Documents, SW has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client account, including the selection of, and commissions, if any, paid to, broker-dealers. SW generally enters into a written investment management agreement with each client granting such discretionary authority.

### **Item 17 - Voting Client Securities**

Because SW has, or will accept, authority to vote securities held by a client account, it has adopted policies and procedures (the “Proxy Voting Policies and Procedures”) which have been designed to ensure that SW complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Advisers Act, and reflect SW’s commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best interest of the client. Employees who have the authority to vote client securities must familiarize themselves with and adhere to SW’s Proxy Voting Policies and Procedures.

SW monitors the performance, activities and events related to each investment. When exercising its voting authority over client securities, SW considers such information, evaluates other issues that could have an impact on the value of the security and votes with a view toward maximizing overall value. SW votes all proxies in a prudent manner, considering the prevailing circumstances at such time and in a manner consistent with the Proxy Voting Policies and Procedures and SW’s fiduciary duties to its clients.

SW reviews each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the client. As a result, depending on the client’s particular circumstances, SW may vote one client’s securities differently than it votes those of another client, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, SW may determine that it is in the client’s best interest for SW to “abstain” from voting or not to vote at all, and will do so accordingly.

Prior to exercising its voting authority, SW, in consultation with the CCO and outside counsel, as appropriate, reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of SW, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, SW will take steps to ensure that its voting decision is based on the best interests of the client and is not a product of the conflict. SW may, at its discretion, (A) seek the advice of the client (or the board of directors of any Fund) in voting such security; (B) disclose the conflict of interest to the client and defer to the client’s voting recommendation; (C) defer to the voting recommendation of an independent third party provider of proxy voting services; and/or

(D) take any other action in good faith that would serve the best interest of the client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

SW will promptly deliver to each client upon written request a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted proxies for the applicable client account.

**Item 18 - Financial Information**

Not applicable.