



# Eventide Asset Management, LLC

60 State Street, Suite 700, Boston, MA 02109

877-771-3836

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

January 25, 2013

## Form ADV Part 2A (Brochure)

This Brochure provides information about the qualifications and business practices of Eventide Asset Management, the Adviser. If you have any questions about the contents of this Brochure, please contact us at 877-771-3836 x 55 and/or [bjcheria@eventidefunds.com](mailto:bjcheria@eventidefunds.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.

Eventide Asset Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information to help you determine to hire or retain an Adviser.

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

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## **Item 2 - Material Changes**

In order to assist clients in reviewing this Brochure, you will find a summary of material changes to our Brochure below. Please note that we are only discussing material changes since our last update on April 30, 2012.

### **Update on Item 4 – Advisory Business**

We have updated this section to reflect the recently launched Eventide Healthcare & Life Sciences Mutual Fund and the income model portfolio that we now offer advisory services for. We have updated the principal strategies for the Healthcare & Life Sciences Fund and total assets, both discretionary and non-discretionary.

### **Update on Item 5 – Fees and Compensation**

We have updated this section to reflect the recently launched Eventide Healthcare & Life Sciences Mutual Fund's fees.

### **Update on Item 7 – Types of Clients**

We have updated this section to reflect the recently launched Eventide Healthcare & Life Sciences Mutual Fund.

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

We have deleted the statement “The Adviser expects, but cannot confirm that the majority of client assets are held in qualified accounts.”

### **Update on Item 10 – Other Financial Industry Activities and Affiliations**

We have updated information regarding portfolio manager Finny Kuruvilla's involvement at Clarus Ventures which can lead to insider information and Eventide's restricted trading list.

We have deleted the section about Matrix Capital being an affiliated broker dealer. Matrix Capital no longer serves as the distributor to Eventide Gilead Fund.

We have also deleted the section about Jason Myhre being a registered representative of Matrix Capital. Jason Myhre is no longer registered with Matrix Capital.

### **Update on Item 11 – Code of Ethics**

We have deleted the sentence “The consideration of prior authorization will be based upon a determination that the board service will be consistent with the interests of clients.”

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### **Update on Item 12 – Brokerage Practices**

We have updated this section to reflect the recently launched Eventide Healthcare & Life Sciences Mutual Fund.

### **Update on Item 13 – Review of Accounts**

Matrix Fund Services no longer serves as Fund Accountant to Eventide Gilead Fund. Gemini Fund Services now provides Fund Accounting services. This has been updated.

### **Update on Item 16 – Investment Discretion**

We have updated this section to reflect the recently launched Eventide Healthcare & Life Sciences Mutual Fund.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC 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. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Robin John, Chief Compliance Officer at 877-771-3836 x 55 or [rjohn@eventidefunds.com](mailto:rjohn@eventidefunds.com).

Additional information about the Adviser is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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#### Item 4 - Advisory Business

Eventide Asset Management, LLC (Adviser) provides investment advisory services to both 1940 Act Mutual Funds (Eventide Gilead Fund/Eventide Healthcare & Life Sciences Fund) and to wrap fee model portfolios (Midcap model, Healthcare model, and Income model). The Adviser analyzes the performance of potential investments not only for financial strengths and outlook, but also for the company's ability to operate with integrity and create value for customers, shareholders and society. While few companies may reach these ideals in every area of their business, these principles articulate the Adviser's highest expectations for corporate behavior.

The Adviser has been in business since April, 2008 and the only principal owner (voting shares greater than or equal to 25%) is Dr. Finny Kuruvilla. Dr. Kuruvilla is CIO of the Adviser.

The Adviser has provided investment advisory services to the Eventide Gilead Fund (Gilead) since July, 2008, Eventide Healthcare & Life Sciences Fund (HCLS) since December 2012, and has also provided investment advice through two model portfolios to wrap fee programs since October, 2009 and a third model portfolio since May, 2012.

Gilead invests primarily in a broad range of equity securities without limitation to market capitalization. Gilead may invest without limitation in securities in companies domiciled outside the United States either directly or through American Depositary Receipts ("ADRs"). In Gilead, the Adviser may use options strategies, such as puts and covered calls on individual securities, as well as options on securities indices, to generate income, to reduce portfolio volatility, or to reduce downside risk when the Adviser believes adverse market, political or other conditions are likely. The Adviser may also utilize a combination of puts and/or calls regarding the same security (sometimes referred to as "straddles," "collars" or "spreads") or utilize puts and calls on related securities. The Adviser may engage in frequent buying and selling of the Fund's investments to achieve the Fund's objective.

HCLS, under normal market conditions, will invest at least 80% of its net assets (plus borrowings for investment purposes) in equity and equity-related securities of companies in the healthcare and life sciences sectors, including common stock, options, preferred stock and convertible debt. Healthcare and life sciences companies include those companies that derive or are expected to derive 50% or more of their revenue from healthcare and life science products and services including, but not limited to, biotechnology, pharmaceuticals, diagnostics, life science tools, medical devices, healthcare information technology, healthcare services, synthetic biology, agricultural and environmental management, and pharmaceutical manufacturing products and services. These companies may include companies whose securities may have legal or contractual restrictions on resale or are otherwise illiquid ("Restricted Securities"). HCLS will not invest more than 15% of the Fund's net assets in these Restricted Securities. These companies may include development stage companies. The Fund may invest without limitation in securities of companies domiciled outside the United States

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either directly or through American Depositary Receipts (“ADRs”). The Fund may invest in securities of companies of any market capitalization.

The Adviser also provides investment advice through model midcap, healthcare, and income portfolios to wrap fee programs for asset-based fees negotiated with the wrap fee program sponsor. The sponsor maintains discretionary authority over the client accounts and can choose to accept or reject all or any portion of the model portfolios Eventide provides. The recommendations made by the adviser to these model portfolios are long equity only.

The Adviser does not have discretionary authority over wrap fee programs. However, the Adviser does provide investment advice through model portfolios to wrap fee programs. The sponsors of the wrap fee programs for which Eventide provides advisory services maintain discretionary authority over the client accounts and can choose to accept or reject all or any portion of the model portfolios Eventide provides. Eventide does not control trade execution in wrap fee programs, but generally expects there to be a delay between model portfolio changes and any resulting trades. Accordingly, if Eventide causes a mutual fund to buy or sell a security and also changes the allocation of the same security in a wrap fee program's model portfolio, Eventide will first initiate the trades for the mutual fund and then update the wrap fee program's model portfolio.

As of January 23, 2013, the Adviser had discretionary authority over \$41 Mil of assets, which were in the Eventide Gilead Fund and Eventide Healthcare & Life Sciences Fund. The Adviser also provided investment advisory services to other financial advisors (sponsors) for managing approximately \$9.4 Mil in wrap fee programs for which the Adviser did not have discretionary authority. The discretionary authority for these assets remains with the sponsors of wrap fee programs for which the Adviser provides investment advice.

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

The Eventide Gilead Fund (Gilead) pays the Adviser an annualized management fee of up to 1.00 percent of assets under management and the Eventide Healthcare & Life Sciences Fund pays the Adviser an annualized management fee of up to 1.10 percent of assets under management. Currently, the Adviser has agreed to waive fees and/or reimburse expenses but only to the extent necessary to maintain the Funds' total annual operating expenses (excluding brokerage costs; borrowing costs, such as (a) interest and (b) dividends on securities sold short; taxes; costs of investing in underlying funds, 12b-1 fees and extraordinary expenses) at 1.42% of its average daily net assets through October 31, 2013. Each waiver or reimbursement by the Adviser is subject to repayment by the Funds within the three fiscal years following the fiscal year in which those particular expenses are incurred, if the Funds are able to make the repayment without exceeding the expense limitation in effect at the time of the waiver and the repayment is approved by the Board of Trustees of the Funds. Management fees accrue daily and are paid to the Adviser monthly.

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The Adviser pays expenses incurred by it in connection with acting as Adviser to the Gilead Fund and Healthcare & Life Sciences Fund, other than costs of securities purchased for the funds and other expenses paid by the funds as detailed in the Investment Advisory Agreement. Costs of securities purchased for the funds includes taxes and brokerage commissions, borrowing costs, costs of investing in underlying funds and extraordinary expenses, if any. *For more information on Eventide's Brokerage Practices, please see Item 12.*

The Adviser also provides investment advice through model portfolios for wrap fee programs for asset-based fees negotiated with the wrap fee program sponsor. The wrap fee program sponsors generally pay 30-60 basis points annualized on its monthly assets depending on account types. Management fees are calculated and deducted from the wrap fee sponsor's client accounts and paid to the Adviser monthly. The Adviser's fees exclude possible brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the sponsors or by the sponsors' clients.

None of the supervised persons of the Adviser are compensated for the sale of securities, mutual funds, or other investment products.

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

The Adviser does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

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

The Adviser provides portfolio management services to both 1940 Act Mutual Funds (Eventide Gilead Fund, Eventide Healthcare & Life Sciences Fund) and to wrap fee programs by providing model portfolio recommendations.

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

The Adviser uses both values-based analysis as well as fundamental, technical and risk analysis in selecting securities for investment. Investing in securities involves risk of loss that clients should be prepared to bear. The Adviser manages its portfolios actively which may involve frequent trading and can negatively affect investment performance through increased transaction costs and taxes.

Masters' Select is used as part of Eventide's investment strategy. With Master's Select, a portfolio manager will review the collective intelligence of proven analysts, portfolio managers, and algorithms as part of the investment decision process. The Adviser believes that utilizing collective intelligence can lead to more consistent performance by addressing the potential gaps in any one individual's investment decisions. But even proven analysts and

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portfolio managers can incorrectly evaluate the value of a specific security. When the Adviser utilizes Masters' Select, it will only do so as a starting point for its own analysis.

Values based analysis attempts to understand the long term sustainable effects of a company's products, services and practices on its stakeholders based on the belief that companies whose products, services and practices are beneficial to more stakeholders have better long-term outlooks and corresponding better financial returns. However, the Adviser may not be able to correctly ascertain which companies best exhibit these characteristics and there is no assurance that financial markets will reward these characteristics in a timely fashion. Values based analysis may therefore underperform other forms of investing. Likewise, since companies that rank poorly based on this type of analysis are generally excluded from investing, clients' investments universe may be smaller than if values based analysis were not applied. This could result in poorer diversification and/or reduced opportunities for returns to clients.

Technical analysis including charting and a variety of calculated metrics attempt to ascertain the most advantageous times or prices for buying, holding or selling securities. The Adviser applies these methods on a per-security basis in concert with other forms of analysis. Technical analysis does not work uniformly well with different securities or in various market climates, leading to the possibility that the analysis can be misapplied. This could result in losses or missed opportunities for gains for clients.

Fundamental analysis attempts to estimate the appropriate valuation of securities based on the current and projected future financial condition of the underlying companies. The Adviser believes that over long time periods financial markets will tend to price the securities nearer to their true underlying value. Hence the Adviser prefers holding securities trading at prices below its estimate of their true value, all else being equal. However, the Adviser may be incorrect in assigning a true underlying value to securities and financial markets can retain prices far away from true values for an extended period of time. In these cases, the use of fundamental analysis may result in the selection of securities which lose value or gain less than other securities.

Risk analysis attempts to balance potential return and risk to the portfolios managed by the Adviser, maximizing return relative to risk. The Adviser evaluates risk in terms of the broad stock market, the US Dollar and in the specific context of each portfolio. The Adviser prefers to accept risks which are less market correlated. As such, the Adviser may take more concentrated positions in individual securities where the Adviser believes that the expected benefit justifies the risk. This can lead to portfolios with relatively low correlation to broad indices, allowing for both outperformance and underperformance versus broad market indices and may cause investors' returns to be more volatile. In its mutual funds, the Adviser sometimes makes use of derivatives and short positions which may individually be quite



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volatile in order to achieve these goals. The Adviser may use derivatives or other securities to attempt to capture upside of specific events while attempting to limit downside. Use of derivatives generally increases trading and trading costs. The Adviser may not correctly estimate portfolio risk which could cause undesirable portfolio volatility and/or increase losses to clients.

Note that different forms of analysis sometimes indicate very different prospects for a security and the Adviser uses its best judgment to balance these analyses in selecting securities for portfolios. The Adviser's judgments may not be correct and this could lead to losses or missed opportunities for gain for clients.

If the Adviser trades more frequently as a result of any form of analysis it increases transaction costs to clients and may produce more realized capital gains which could have a negative effect on clients whose assets are not in qualified accounts due to taxes.

Please note that the Adviser recommends Biotechnology & Pharmaceutical Industry Group to one or more clients as part of their investment strategy. The Adviser may recommend or invest a substantial portion of client assets in biotechnology and pharmaceutical companies if the Adviser believes that the expected benefit to clients justifies the risk, and is consistent with the client's investment objective. Clients should be aware that companies in the Biotechnology & Pharmaceutical Industry Group may be heavily dependent on clinical trials with uncertain outcomes and decisions made by the U.S. Food and Drug Administration. Companies in the Biotechnology & Pharmaceutical industry group also may not be financially profitable and thus subject to additional risks.

#### **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 the Adviser or the integrity of the Adviser's management. The Adviser has no information applicable to this Item.

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

CIO Finny Kuruvilla is a Principal at Clarus Ventures, a healthcare venture capital firm based in San Francisco and Boston. Dr. Kuruvilla represents Clarus on the board of directors of Nanostring and is a board observer for Catabasis, Lycera, Tetralogic, and Virdante. Dr. Kuruvilla is restricted from trading in the securities of these companies for the Eventide Gilead Fund, Eventide Healthcare & Life Sciences Fund, Eventide Folio Wrap Accounts, as well as his personal account. If Dr. Kuruvilla receives material non-public information on a publicly traded company through his responsibilities at Clarus, he is restricted from trading in that company's security for Eventide's clients and his personal account.

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## Item 11 - Code of Ethics

The Adviser has adopted a Code of Ethics for the purpose of instructing all employees, officers, and directors of the Adviser in their ethical obligations and to provide rules for their personal securities transactions. Below is a summary of our Code of Ethics. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

All such persons owe a fiduciary duty to the Adviser's clients. Policies and procedures have been implemented by the Adviser to ensure that all personal securities transactions be conducted in a such a manner as to avoid any actual or potential conflict of interest or any abuse of any individual's position of trust and responsibility to clients of the Adviser.

All personal securities transactions must also comply with the Adviser's Insider Trading Policy and Procedures.

Employees shall at all times maintain the confidentiality of client identities, security holdings, financial circumstances and other confidential information.

Employees may not execute a securities transaction on a day during which a purchase or sell order in that same security or a related security is pending for the Fund unless the securities transaction is combined ("blocked") with the Fund's transaction or market capitalization of the company is greater than \$500 million. Employees must obtain pre-clearance in writing from the Compliance Department for a personal securities transaction in any security of a company or derivative of a security of a company with a market capitalization of less than \$500 million.

Any Securities Transactions in a private placement must be authorized by the Adviser's Compliance Officer, in writing, prior to the transaction. In connection with a private placement acquisition, the Compliance Officer must determine whether the investment opportunity should be reserved for a client, and whether the opportunity is being offered to an employee of the Adviser by virtue of the employee's position with the Adviser.

Employees of the Adviser are prohibited from acquiring any Securities in an initial public offering without the prior written approval of the Compliance Officer. This restriction is imposed in order to preclude any possibility of an Employee profiting improperly from the Employee's position with the Adviser.

Employees are prohibited from serving on the boards of directors of publicly traded companies, absent prior authorization by the Compliance Officer. In the event that board service is authorized, Employees serving as directors will be isolated from other Employees making investment decisions with respect to the securities of the company in question.

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Employees are required to provide a securities holdings report within 10 days of employment with the Adviser, as well as on an annual basis. Employees are also required to provide quarterly transaction reports within 30 days of the end of each calendar quarter. Employees must provide copies of quarterly statements for all broker accounts in which an Employee has the ability to buy or sell Reportable Securities or Reportable Funds.

The Compliance Officer will, on a quarterly basis, check the trading account statements provided by brokers to verify that the Employee has not violated the Code. The Compliance Officer shall identify all Employees, inform those persons of their reporting obligations, and maintain a record of all current and former access persons.

If an employee violates this Code, the Compliance Officer will report the violation to the Board of the Fund for appropriate remedial action which, in addition to the actions specifically delineated in other sections of this Code, may include a reprimand of the employee, or suspension or termination of the employee's relationship with the Fund and/or the Adviser.

The Adviser does not recommend to clients, or buys or sells for client accounts, securities in which the Adviser or a related person has a material financial interest.

The Adviser allows employees to invest in securities held by the Fund as long as it adheres to the policies outlined in our Code of Ethics. As described above, the Adviser has policies in its Code of Ethics in regards to employees buying or selling securities in personal accounts on the same day that the Adviser is trading the same security in the Fund. The Adviser does not want any employee to profit from a potential price movement resulting from a trade for the Fund. The Adviser does not foresee any other conflict of interest arising from an employee investing in securities held by the Fund.

#### **Item 12 - Brokerage Practices**

The Adviser uses multiple brokers to execute trades on behalf of the Eventide Gilead Fund and Eventide Healthcare & Life Sciences Fund. The Adviser's primary objective in directing a trade to a broker is to obtain best execution in terms of share price, quality of service, and commissions paid. The Adviser looks at different factors in selecting brokers and determining the reasonableness of their commissions. Research and execution are key components. Brokers that provide research generally charge higher commissions for client transactions. So the Adviser weighs the benefit the research provides in investment decision-making against the higher transaction costs for the funds. The Adviser believes that the use of client commission dollars to obtain research serves the interest of investors and is beneficial for the Gilead Fund and Healthcare & Life Sciences Fund.

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Brokers provide proprietary research to the Adviser through access to reports on a broker's website, as well as periodic emails and phone calls to highlight such reports. The bulk of proprietary research is stock specific, but reports also focus on sectors and the macro-economic environment. Brokers may also provide third party research to the Adviser. Third party research consists of data services, and provides market and economic data.

When the Adviser uses client brokerage commissions to obtain research, the Adviser obtains a benefit since the Adviser does not need to produce or pay for the research received. This may create an incentive for the Adviser to select a broker-dealer based on its interest in receiving the research, rather than the Funds' interest in receiving most favorable execution. The Adviser's compliance team reviews trades on behalf of the Fund to monitor for best execution.

The Adviser may cause the Funds to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. In the last fiscal year, the Adviser received soft dollar benefits as a bundled service from broker-dealers. The Adviser also had a soft dollar arrangement in place with a broker-dealer during the last year. The Adviser received soft dollar credits from client commissions for Gilead Fund trades & Healthcare & Life Sciences Fund trades, which were used for third party research consisting of market and economic data. The Adviser may enter into other soft dollar arrangements in the future.

The research the Adviser receives from brokers is used to service the Gilead Fund and Healthcare & Life Sciences Fund, but may benefit other advisory clients since clients of the Adviser may have investment objectives that overlap. The Adviser's other clients are wrap fee non-discretionary programs. As a result, the Adviser only sends trades to broker-dealers on behalf of the Gilead Fund & Healthcare & Life Sciences Fund at the present time.

In the last fiscal year, the Adviser received proprietary research as described above with client brokerage commissions. Eventide's portfolio management team determined if the research provided by brokers had added value to its overall portfolio evaluation process. If a broker's research was a factor in making portfolio decisions for the Funds, the portfolio managers generally directed a trade to the particular broker that provided the research. Commissions paid by the Funds on these trades were higher than those charged by brokers for pure execution, but only as permitted by Section 28(e) of the Securities Exchange Act of 1934. The portfolio management team evaluated the value of the research and directed trades accordingly.

Eventide Asset Management, LLC does not receive client referrals for selecting or recommending broker-dealers. Eventide Asset Management also does not recommend, request or require clients to direct brokerage.

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

The Adviser's CFO reviews the Gilead Fund's and Healthcare & Life Sciences Fund's NAV calculated by Gemini Fund Services daily. The trades and commissions paid are reviewed by the CCO, CFO, and CIO daily. Concerning the model portfolios prepared by the Adviser for wrap fee account sponsors, the trades, commissions, and performance reporting are the responsibility of the plan sponsors to their own clients.

The CFO reviews the accuracy of the Adviser's balance sheet and income statements monthly and provides an update to the Adviser's CCO and CIO. As required by the Code of Ethics, the CCO reviews the personal trades of each Eventide employee on a quarterly basis to ensure compliance with the Code of Ethics.

A written report of trades done on behalf of the Funds is sent to the Funds' accounting group on a daily basis and is available to the Funds for review. The Adviser is also responsible for filling out quarterly and annual questionnaires for the Funds. This allows the Funds to evaluate whether the Adviser is fulfilling its fiduciary obligations to the Funds.

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

The Adviser does not receive economic benefit from non-clients, nor does the Adviser compensate anybody for referrals that lead to the sale of securities, mutual funds, or other investment products.

### **Item 15 - Custody**

The Adviser does not have custody over client assets.

Clients should receive at least quarterly statements from the broker dealer or qualified custodian that holds and maintain clients' investment assets. The Adviser urges you to carefully review such statements.

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

The Adviser has discretionary authority over the Gilead Fund and Healthcare & Life Sciences Fund to select the identity and amount of securities to be bought or sold. The Funds are the only clients with which the adviser exercises discretion. Such discretion is to be exercised in a manner consistent with the stated investment objectives in the Fund's prospectus and SAI (Statement of Additional Information). The Adviser must observe the investment policies, limitations and restrictions of the Funds, which is described in the Funds' prospectus and SAI.

Investment guidelines and restrictions must be provided to the Adviser in writing.

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

Pursuant to Rule 206(4)-6 and Rule 204-2 under the Advisers Act, it is a fraudulent, deceptive, or manipulative act, practice or course of business, within the meaning of Section 206(4) of the Advisers Act, for an investment adviser to exercise voting authority with respect to client securities, unless (i) the Adviser has adopted and implemented written policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the best interests of its clients, (ii) the adviser describes its proxy voting procedures to its clients and provides copies on request, and (iii) the adviser discloses to clients how they may obtain information on how the Adviser voted their proxies.

**Policy:** The Adviser will vote proxies on behalf of its individual clients. The Board of Trustees of the Trust has delegated responsibilities for decisions regarding proxy voting for securities held by the Fund to the Adviser. The Adviser will vote such proxies in accordance with its proxy policies and procedures. In some instances, the Adviser may be asked to cast a proxy vote that presents a conflict between its interests and the interests of the Funds' shareholders. In such a case, the Trust's policy requires that the Adviser abstain from making a voting decision and to forward all necessary proxy voting materials to the Trust to enable the Board of Trustees to make a voting decision. In order to fulfill its responsibilities under the Advisers Act, the Adviser has adopted the following policies and procedures for proxy voting with regard to companies in the investment portfolio of the Funds.

#### ***Voting Proxies***

1. All proxies sent to clients that are actually received by the Adviser (to vote on behalf of the client) will be provided to the Operations Manager.
2. The Operations Manager will generally adhere to the following procedures (subject to limited exception):
  - (a) A written record of each proxy received by the Adviser (on behalf of its clients) will be kept in the Adviser's files;
  - (b) The Operations Manager will determine which of the Adviser holds the security to which the proxy relates;
  - (c) Prior to voting any proxies, the Operations Manager will determine if there are any conflicts of interest related to the proxy in question in accordance with the general guidelines set forth below. If a conflict is identified, the Operations Manager will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material.

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- (d) If no material conflict is identified pursuant to these procedures, the Operations Manager will vote the proxy in accordance with the guidelines set forth below. The Operations Manager will deliver the proxy in accordance with instructions related to such proxy in a timely and appropriate manner.

### ***Summary of Proxy Voting Guidelines***

When voting shares on behalf of shareholders, we pay special attention to accountability, alignment of management and shareholder interests, transparency & consistency with the Ethical Screening Criteria of the Fund. Below are the general guidelines that the Adviser uses in exercising our proxy voting responsibilities to our shareholders.

We believe that good corporate governance generally starts with a board composed primarily of independent directors, unfettered by significant ties to management, all of whose members are elected annually. We also believe that turnover in board composition promotes independent board action, fresh approaches to governance, and generally has a positive impact on shareholder value. We will generally vote in favor of non-incumbent independent directors.

The election of a company's board of directors is one of the most fundamental rights held by shareholders. Because a classified board structure prevents shareholders from electing a full slate of directors annually, we will generally support efforts to declassify boards or other measures that permit shareholders to remove a majority of directors at any time, and will generally oppose efforts to adopt classified board structures.

We believe that the relationship between a company and its auditors should be limited primarily to the audit engagement, although it may include certain closely related activities that do not raise an appearance of impaired independence. We will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with a company to determine whether we believe independence has been, or could be, compromised.

We believe that appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of shareholders and the interests of directors, management, and employees by providing incentives to increase shareholder value. Conversely, we are opposed to plans that substantially dilute ownership interests in the company, provide participants with excessive awards, or have inherently objectionable structural features.

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We will generally support measures intended to increase stock ownership by executives and the use of employee stock purchase plans to increase company stock ownership by employees. These may include:

1. Requiring senior executives to hold stock in a company.
2. Requiring stock acquired through option exercise to be held for a certain period of time.

These are guidelines, and we consider other factors, such as the nature of the industry and size of the company, when assessing a plan's impact on ownership interests.

We view the exercise of shareholders' rights, including the rights to act by written consent, to call special meetings and to remove directors, to be fundamental to good corporate governance.

Because classes of common stock with unequal voting rights limit the rights of certain shareholders, we generally believe that shareholders should have voting power equal to their equity interest in the company and should be able to approve or reject changes to a company's by-laws by a simple majority vote. We will generally support the ability of shareholders to cumulate their votes for the election of directors.

While we recognize that there are arguments both in favor of and against shareholder rights plans, also known as poison pills, such measures may tend to entrench current management, which we generally consider to have a negative impact on shareholder value. Therefore, while we will evaluate such plans on a case by case basis, we will generally oppose such plans.

### ***Conflicts of Interest***

1. As stated above, in evaluating how to vote a proxy, the Operations Manager will first determine whether there is a conflict of interest related to the proxy in question between Adviser and its Advisory Clients. This examination will include (but will not be limited to) an evaluation of whether the Adviser (or any affiliate of the Adviser) has any relationship with the company (or an affiliate of the company) to which the proxy relates outside of an investment in such company by a client of the Adviser.
2. If a conflict is identified and deemed "material" by the Operations Manager, the Adviser will determine whether voting in accordance with the proxy voting guidelines outlined below is in the best interests of the client (which may include utilizing an independent third party to vote such proxies).
3. With respect to material conflicts, the Adviser will determine whether it is appropriate to disclose the conflict to affected clients give such clients the opportunity to vote the



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proxies in question themselves. However, with respect to ERISA clients whose advisory contract reserves the right to vote proxies when the Adviser has determined that a material conflict exists that affects its best judgment as a fiduciary to the ERISA client, the Adviser will:

- (a) Give the ERISA client the opportunity to vote the proxies in question themselves; or
- (b) Follow designated special proxy voting procedures related to voting proxies pursuant to the terms of the investment management agreement with such ERISA clients (if any).

### ***Record-keeping Requirements***

The Operations Manager will be responsible for maintaining files relating to the Adviser's proxy voting procedures. Records will be maintained and preserved for five years from the end of the fiscal year during which the last entry was made on a record, with records for the first two years kept in the offices of the Adviser. Records of the following will be included in the files:

1. Copies of these proxy voting policies and procedures, and any amendments thereto;
2. A copy of each proxy statement that the Adviser actually received; provided, however, that the Adviser may rely on obtaining a copy of proxy statements from the SEC's EDGAR system for those proxy statements that are so available;
3. A record of each vote that the Adviser casts;
4. A copy of any document that the Adviser created that was material to making a decision how to vote the proxies, or memorializes that decision (if any); and
5. A copy of each written request for information on how the Adviser voted such client's proxies and a copy of any written response to any request for information on how the Adviser voted proxies on behalf of clients.

A copy of our complete Proxy Voting Policies and Procedures is available to our clients, without charge, upon request, by calling 1-877-771-3836. We will send a copy of these Proxy Voting Policies and Procedures within three business days of receipt of a request, by first-class mail or other means designed to ensure equally prompt delivery. In addition, we will provide

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each client, without charge, upon request, information regarding the proxy votes cast by us with regard to the client's securities.

### **Item 18 - Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Under no circumstances do we require or solicit payment of fees in advance of services rendered.

The Adviser's financial statements will be provided upon request.