



## **Brochure / Form ADV Part 2A**

**October 4, 2013**

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## Introduction

swisspartners Advisors Ltd. is registered with the US Securities and Exchange Commission ("SEC"). The terms "SPA," "we," "our" and "us" refer to swisspartners Advisors Ltd. This Brochure provides information about the qualifications and business practices of SPA and constitutes our Form ADV Part 2A. If you have any questions about the contents of this brochure, please contact us at +41 58 200 0 800 and/or [info@swisspartners-advisors.com](mailto:info@swisspartners-advisors.com).

**The information in this Brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that SPA or its associates have attained a certain level of skill or training. We encourage you to visit the SEC's Investment Adviser Public Disclosure ("IAPD") for more information about SPA. The IAPD web address is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

This Brochure provides information for our US clients. Most provisions of the US Investment Advisers Act of 1940 and of this Brochure do not apply to our non-US clients.

## Item 2 – Material Changes

This Brochure is divided into two sections: 2A and 2B. Part 2A provides detailed information about us, while Part 2B provides information regarding key SPA personnel. When we make a material change to this Brochure, we will notify our Clients and give them with a copy of this at no charge. If clarification is needed on any point, please contact us at +41 58 200 0 800 and/or [info@swisspartners-advisors.com](mailto:info@swisspartners-advisors.com).

Since our last update on June 12, 2013, the following material changes have occurred:

- As of October 1, 2013, Peter Ahluwalia, who joined SPA on June 1, 2013, will become Chief Investment Officer. Mr. Ahluwalia will be responsible for our investment style and asset management.
- As of October 1, 2013, Gerhard Gottet - as portfolio manager - will be responsible for the day-to-day management of client mandates and the implementation of the asset management strategy.

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## Item 4 – Advisory Business

SPA is organized as a limited company in Switzerland. SPA has been in continuous operation since August 3, 2008. SPA registered with the SEC on February 27, 2009. SPA is a direct, wholly owned subsidiary of swisspartners Investment Network AG ("SPIN"). SPIN, founded in 1993 as a joint stock corporation under Swiss law, employs over 90 persons and is one of the largest private independent investment management firms in Switzerland. Its core activities are asset management and investment advisory services for an international clientele. SPIN owns 100% of the voting equity of SPA. SPIN controls SPA as this term is defined and used in the US Investment Advisers Act of 1940 ("Advisers Act"). The shareholders of SPIN ("SPIN Shareholders") are Liechtensteinische Landesbank ("LLB"), a Liechtenstein bank (70.61 % of the voting equity of SPIN) and individual officers and directors of SPIN (the remaining 29.39 % of the voting equity of SPIN, the largest position of which is 19%). No single individual controls SPIN. LLB is an indirect owner of SPA and does not exercise control over SPA.

SPA provides discretionary asset management services to individuals, trusts, estates and corporations ("Clients") resident in the United States ("US Clients"), US taxpayers resident outside the United States and non-US clients/taxpayers. More information about our types of Clients is in Item 7.

SPA's investment approach is intended primarily for investors with a long-term investment horizon. In that respect, SPA focuses on what we believe to be high-quality investments in various asset classes. SPA also believes in the long-term merits of international diversification as a way to enhance portfolio return.

We offer the following types of strategies: Global Conservative, Global Balanced, Global Dynamic, Global Growth, Global Equities and International Equities. Global Balanced, Global Conservative, Global Dynamic and Global Growth are "blended" strategies. All of these are available to our US Clients.

For all our blended strategies except for Global Growth, we follow a top-down investment approach with the asset allocation decision being the biggest source of performance. For Global Growth, we follow a bottom up investment approach.

More information is available about us in our Form ADV Part 1.

There is no account minimum. However, SPA believes that a minimum amount of US\$5,000,000 typically permits adequate diversification of a Client's portfolios. SPA, in its discretion, may enter into agreements with Clients that have different account sizes.

When they open an account with us, Clients sign an Investment Management Agreement ("IMA"). Clients must also complete an authorization form and/or Power of Attorney document provided by their custodian bank before we may provide discretionary advisory services. Under the IMA, SPA is authorized to manage the Client's assets on a fully discretionary basis, according to the Client's written investment needs, objectives and restrictions as set forth in the IMA and amended from time to time when the Client so requests. Under the IMA, SPA will be responsible for determining the account's asset allocation and for investing the account's assets subject to the Client's requirements. SPA will periodically review and may adjust a discretionary account's asset allocation and holdings in response to economic, political, or market conditions, as well as to updates to a Client's restrictions.

As of September 30, the most recent date when such figures were available, we managed the following assets:

|                          |                        |
|--------------------------|------------------------|
| Discretionary Assets     | USD 289,972,120        |
| Non-discretionary Assets | USD 0                  |
| <b>Total</b>             | <b>USD 289,972,120</b> |

## Item 5 – Fees and Compensation

SPA offers discretionary asset management services for an asset management fee. This fee is calculated as a percentage of assets under management, with a minimum quarterly charge of CHF 3,000. The minimum fees can exceed the recommendations of the Swiss Association of Asset Managers (maximum 1.5% p.a.) in cases where the assets under management do not reach the mathematical minimum volume. The minimum fees are levied in order to enable SPA to cover the costs of the mandate.

SPA may also charge a performance-based fee solely if a Client requests this. Such Clients would be charged both a performance based fee and a fixed base asset management fee, and then only if account performance is positive over the quarter. See Item 6 below for a discussion of performance-based fees.

Unless otherwise stated, both types of fees are called "Fees".

Fees are payable in advance. Fees are calculated in Swiss Francs and charged in the Client's reference currency (i.e. USD) on the first business day of each calendar quarter based on the fair market value of the assets under management in the Client's account on the last business day of the previous quarter as valued by the custodian. If the Client reference currency is a currency other than CHF, to exchange CHF to the base currency SPA applies the middle-of-the day rates of the last business day in Zurich of the previous quarter as published by Reuters.)

Each custodian is responsible for valuing all positions held for a Client in that Client's custodial account.

Under a service-level agreement between SPA and SPIN ("SPA-SPIN SLA", SPIN is responsible for calculating Fees based upon custodian valuations, which are reviewed and, if required, reconciled by SPA. The Fee calculation is verified independently within the scope of our annual audit by an independent audit company. Fees paid in advance will be refunded pro rata forthwith upon termination of the relationship for any reason, free from any deduction or set-off (save for bona fide unsettled securities transactions that were completed but not yet paid for). No termination fee is charged. No Fee adjustment will be made during any period with respect to the appreciation or depreciation of account asset values during that period. This means that if during a quarter the value of the assets in a Client account moves into or falls out of the "Assets under Management" bracket (see the Fee schedule below), the marginal rate applicable at the beginning of the period will be applied for that period.

| Assets under management | Marginal rate |            | Effective rate* |            |
|-------------------------|---------------|------------|-----------------|------------|
|                         | Blended**     | Equity     | Blended**       | Equity     |
| 0 – 5M                  | 0.85%         | 0.95%      | 0.85%           | 0.95%      |
| 5 – 10M                 | 0.75%         | 0.85%      | 0.80%           | 0.90%      |
| 10 – 20M                | 0.65%         | 0.75%      | 0.73%           | 0.83%      |
| 20 – 50M                | 0.55%         | 0.65%      | 0.62%           | 0.72%      |
| 50M and higher          | negotiable    | negotiable | negotiable      | negotiable |

\* The effective rate is calculated on the maximum amount in the corresponding range

\*\* Mandates that include various asset classes (i.e. our "Conservative", "Balanced", "Dynamic" and "Growth" mandate)

Fee rates are negotiable. Fees do not vary on the basis of a Client's trading activities. SPA does not charge or receive any transaction-based compensation.

The Fee, and other charges payable by a Client to us, are established in the IMA. The Fee is paid by having the custodian directly charge the Client's account on or after the applicable due date upon the presentation of an invoice by SPA, stating the amount of the Fee and other charges due to SPA, if any. This is based on provisions in the custodian-Client agreement that require the custodian, acting as the agent of the Client, to withdraw, with the Client's approval and consent, the Fees owed by the Client to SPA, and to pay them to SPA. No further consent from the Client shall be required for such quarterly payment to SPA by the custodian unless agreed otherwise. SPA will provide to the Client its invoice at or prior to the time that invoices are presented to the custodian.

Custody fees and brokerage commissions will be charged by the custodian under the terms of the Client-custodian agreement.

SPA will not otherwise receive any payment for the management of Client assets or for using specific broker dealers.

Our Fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses: these are incurred directly by the Client. Clients may incur certain charges imposed by custodians, brokers and third party investment and service providers, such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other charges and taxes on brokerage accounts and securities transactions.

To the extent that a Client's assets are invested in third-party funds or other collective investment schemes, the Client will be subject to other fees and charges as a fund shareholder, in addition to the Fees paid to us. Those will include fees and charges imposed on shareholders of the fund or imposed on the fund and borne indirectly by shareholders, as disclosed in the fund's offering document. Fund shares (including all money market fund shares in which a Client's assets may be temporarily invested) may bear a management fee charged to the fund by the fund's investment adviser, as well as other internal fees and charges. In addition, some funds also impose on shareholders other fees and charges, such as sales loads, purchase or redemption fees, transfer taxes, and wire transfer and electronic fund fees. Such charges, fees, and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and other costs described in this Brochure. Furthermore, our advisory fee is in addition to the abovementioned commissions or markups.

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

We may charge certain Clients performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a Client). We will structure any performance or incentive fee arrangement according to the requirements of the Advisers Act, including Section 205(a)(1) and/or the exemption set forth in Rule 205-3 under the Advisers Act. In measuring assets for the calculation of performance-based fees, we will include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for us to favor performance-fee paying Clients over Clients not subject to such fees in the allocation of investment opportunities. Performance-based fees may also create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. We have designed and implemented an allocation policy that seeks to treat Client accounts within a particular investment strategy fairly and equitably (i.e. no Client account is inappropriately favored over another).

## **Item 7 – Types of Clients**

We may provide Discretionary Investment Management Services to a variety of Client types. Clients may include: Individuals, Personal Trusts and Estates – Private investors investing personal assets; and Corporations.

The relative percentage of each type is shown on our Form ADV Part 1. The actual mix of types of Clients may change over time based on market conditions, business plans, and other factors.

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

SPA's investment approach is value-driven and based on fundamental parameters. For timing and selection purposes, the fundamental evaluation is complemented by technical and quantitative analysis.

SPA formulates its own investment advice for its Clients. SPA does not share any Client information, recommendations, advice or positions with SPIN. Likewise, no SPIN information is shared with SPA.

Our strategies range from blended to strictly equity. Our strategies are: Global Conservative, Global Balanced, Global Dynamic, Global Growth, Global Equities and International Equities. All of these are available to our US Clients.

#### Global Conservative

- preservation of capital
- returns mainly from interest income
- risk tolerance below average
- moderate volatility
- usually significant overweighting of nominal assets compared to real assets
- investments in reference currency preponderate
- moderate exposure to currency risks

#### Global Balanced

- real conservation and long-term gain of capital
- returns from interest income as well as from capital and currency gains
- average risk tolerance
- acceptance of volatility
- usually well-balanced relation between nominal assets and real assets
- investments in reference currency preponderate, but less significant than in case of a conservative profile
- moderate to significant exposure to currency risks

#### Global Dynamic

- long-term gain of capital by stronger weighting of real assets (i.e. shares)
- returns mainly from capital and currency gains
- risk tolerance above average
- acceptance of increased volatility
- usually significant overweighting of real assets compared to nominal assets
- depending on assessment of market situation, investments in currencies other than reference currency may preponderate
- significant exposure to currency risks

#### Global Growth

- long-term gain of capital by at time significant weighting of real assets (i.e. shares)
- returns mainly from capital and currencies gains
- high risk and volatility tolerance
- Usually strong overweighting of real assets compared to nominal assets
- depending on assessment of market situation significant exposure to foreign currency risks.

#### Global Equities (with USD exposure)

- long-term capital growth
- returns from capital and currencies gains
- high risk and volatility tolerance
- global exposure
- global equities including USA
- exposure to foreign currency risks



### International Equities (no USD exposure)

- long-term capital growth
- returns from capital and currencies gains
- high risk and volatility tolerance
- no USA exposure
- broadly diversified equities
- significant exposure to currency risks

Global Balanced, Global Conservative, Global Dynamic and Global Growth are “blended strategies”, which means that investments comprise a mixture of asset classes. They are offered in three reference currencies (USD, EUR and CHF).

The Global Growth strategy is offered in USD reference currency only. It has an exposure to equity markets of at least 40% and invests at least 40% in USD. It predominantly invests in global equities with the objective of achieving long-term growth. This mandate follows a capital enhancement approach.

Clients that want to invest in equities only can select between global strategies, which hold between 30% and 70% in US equities, and international strategies which are exclusively invested outside the USA. Because of the volatility of non-USD currencies, the returns of international strategies will undergo higher fluctuations.

If, in our sole judgment, unforeseen circumstances urgently require us to deviate from a Client's investment profile as provided for in the IMA, we will exercise our right to do so and inform the Client accordingly. SPA has the right, but not duty, to deviate from the Investment Profile only in favor of a more risk adverse investment strategy.

In general, we provide advice on the following investments:

- Equity securities (exchange listed, OTC, non-USD issuers)
- Warrants
- Corporate debt securities
- United States government securities
- Municipal securities
- Commercial paper
- Certificates of deposit
- Mutual funds
- Non-US Government securities: investments in sovereign debt of countries other than the United States. A minimum rating of “investment grade” by S&P (BBB) and/or Moody's (Baa) is required for such investments, in line with our policy for other bond investments.
- Commodities: precious metals, base metals, and other commodities, including the securities of companies engaged in commodities-related activities, and instruments that derive their value from commodities, such as exchange-traded funds and certificates, collective instruments, indices and structured products. SPA does not provide advice on commodity futures or options.
- Alternative investments: hedge funds, funds of hedge funds, and private equity vehicles as stated in the special procedure of “Appendix II” of the IMA.

We apply certain investment techniques in managing Client portfolios. These include the following:

- Short Selling. In managing certain accounts, we are permitted to sell securities short, in the expectation of covering the short sale with securities acquired in the open market at a price lower than that received from the short sale. The possible losses from short selling are theoretically unlimited. In addition, short selling can cause downward price pressure on a stock and could therefore pose a conflict of interest if some client accounts were selling short the same security other client accounts hold long (and vice versa).

- **Use of Leverage.** In managing certain accounts, we may also use leverage but only by investing in certain ETPs (exchange-traded products) that provide leveraged exposure to their underlying indices. The use of leverage can cause portfolio values to rise and fall faster than when leverage is not applied. Use of leverage also involves the risk that securities in an account will have to be liquidated in order to meet margin calls or maintain sufficient asset coverage, at a time when it may not be desirable or advantageous to sell. Although frequent trading of securities is not an investment strategy typically used by SPA (which, as noted above, takes a long-term view), SPA may sell a security within 30 days of its acquisition if dictated by economic, political, and/or market conditions, or if the Client's objectives and restrictions change (via notification by the Client to SPA).

From time to time, but without being required to, SPA may use hedging strategies to alter the bond, equity, and/or currency exposure of the Client portfolio in order to protect the Clients' assets against market events that are likely to impact performance negatively.

The most commonly used hedges are foreign exchange forward contracts. These forward contracts are not always done against the currency of the underlying investments. Where there is correlation between the performances of currencies, and in order to save costs a foreign exchange forward contract may be entered in a currency other than the one of the underlying holding. This correlation could change depending on market events.

### **Risk of Loss**

Investing in securities and other investment instruments involves the risk of loss that Clients should be prepared to bear.

The principal risks of the investment strategies SPA may utilize in managing a Client's portfolio are set forth below:

- **Value Investing Risk** – The value approach to investing involves the risk that value stocks remain undervalued. Value stocks as a group may be out of favor and underperform versus the overall equity market for a long period of time, while the market concentrates on growth stocks.
- **Growth Investing Risk** – The growth approach to investing may increase the risks of investing. Growth securities typically are quite sensitive to market movements because their market prices tend to reflect future expectations. When it appears that expectations will not be met, the prices of growth securities typically fall. Growth stocks as a group may be out of favor and underperform versus the overall equity market while the market concentrates on value stocks.
- **Securities Selection Risk** – The value of a Client's investments may decrease if SPA's judgment about the attractiveness, value, or market trends that affect a particular security, industry, or sector, or about market movements, is incorrect.
- **Non-Diversification Risk** – If a Client's portfolio is not diversified, the portfolio may be more susceptible to single adverse economic or regulatory occurrences affecting one or more of these issuers and may experience increased volatility.

The principal risks of the types of securities SPA may recommend are set forth below:

- **Market Risk** – The securities markets are volatile, and the market prices of the Client's securities may decline overall. Securities fluctuate in price based on changes in a company's financial condition and overall market and economic conditions. The value of a particular security may decline due to factors that affect a particular industry or industries, such as an increase in production costs, competitive conditions or labor shortages, or due to general market conditions, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or generally adverse investor sentiment.
- **Interest Rate Risk** – When interest rates rise, the value of a fixed income security generally falls. A change in interest rates will not have the same impact on all fixed income securities. Generally, the longer the maturity or duration of a fixed income security, the greater the impact of a rise in interest rates on the security's value. In addition, different interest rate

measures (such as short-term and long-term interest rates and US and non-US interest rates), or interest rates on different types of securities or securities of different issuers, may not necessarily change in the same amount or in the same direction.

- **Credit Risk** – If the issuer of a security held by the Client fails to pay principal and/or interest when due, otherwise defaults, or is perceived to be less creditworthy, a security's credit rating is downgraded. Similarly, if the credit quality or value of any underlying assets declines, the value of the security will decline.
- **Prepayment Risk** – When interest rates fall, certain obligations will be paid off by the debtor more quickly than originally anticipated. The Client may then have to invest the proceeds in securities with lower yields.
- **Extension Risk** – When interest rates rise, certain obligations will be paid by the debtor more slowly than anticipated, causing the value of these securities to fall.
- **Non-US Securities Risk** – A Client's investment in securities of non-US issuers can involve greater risk than investments in securities of US issuers. Non-US countries may have markets that are less liquid and more volatile than markets in the United States, may suffer from political or economic instability, and may experience negative government actions, such as currency controls or seizures of private businesses or property. In some non-US countries, less information is available about issuers and markets because of less rigorous accounting and regulatory standards than in the United States. Non-US securities may be denominated or quoted in currencies other than the US dollar. For this reason, changes in currency exchange rates can affect the value of non-US securities.
- **Liquidity Risk** – Liquidity risk exists when investments are difficult to purchase or sell. A Client's investment in illiquid securities may reduce returns because it may be difficult to sell the illiquid securities at an advantageous time or price. To the extent that a Client invests in alternative investments or securities with substantial market and/or credit risk, the Client will tend to have greater exposure to liquidity risk.
- **Risk of Investment in Mutual Funds, Hedge Funds, Funds of Hedge Funds and Private Equity Vehicles** – Investments in pooled investment vehicles are subject to market and selection risk. In addition, a Client must bear its proportionate share of expenses in the pooled investment vehicle, in addition to management and other fees imposed by the manager of such funds. Hedge fund investing may involve substantial investment, liquidity risk, derivatives risk, and other risks described in the offering memorandum of each fund. Hedge funds may apply leverage and their investment results can be volatile. Hedge funds and private equity vehicles are not subject to the same regulatory requirements as mutual funds.
- **Commodities Market Risk** – Investments in commodities may be subject to greater volatility than investments in traditional securities. The value of commodity-linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs, and international economic, political, and regulatory developments.
- **Derivatives Risk** – A Client's investment in derivatives may reduce returns and/or increase volatility. Volatility is defined as the characteristic of a security, an index, or a market to fluctuate significantly in price within a short time period. A risk of the use of derivatives is that the fluctuations in their value may not correlate perfectly with the overall securities markets. Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. In addition, some derivatives are more sensitive to interest rate changes and market price fluctuations than other securities. The possible lack of a liquid secondary market for derivatives and the resulting inability of SPA to sell or otherwise close a derivatives position may expose the Client to losses and may make derivatives more difficult for SPA to value accurately. SPA may not be able to predict correctly the direction of security prices, interest rates, and other economic factors, which may cause the Client's derivatives positions to lose value. When a derivative is used as a hedge against a position that the Client holds, any loss generated by the derivative generally

should be substantially offset by gains on the hedged investment and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. Hedges are sometimes subject to imperfect matching between the derivative and the underlying security, and there can be no assurance that the SPA's hedging transactions will be effective.

- Warrants - If the price of the underlying stock does not rise above the exercise price before the warrant expires, the warrant generally expires without any value, and the Client loses any amount it paid for the warrant. Thus, investments in warrants may involve substantially more risk than investments in common stock. Warrants may trade in the same markets as their underlying stock; however, the price of the warrant does not necessarily move with the price of the underlying stock.
- US Government Securities Risk – Obligations of US Government agencies, authorities, instrumentalities, and sponsored enterprises have historically involved little risk of loss of principal if held to maturity. However, not all US Government securities are backed by the full faith and credit of the United States. Obligations of certain agencies, authorities, instrumentalities, and sponsored enterprises of the US Government are backed by the full faith and credit of the United States (e.g. the Government National Mortgage Association). Other obligations are backed by the right of the issuer to borrow from the US Treasury (e.g. the Federal Home Loan Banks). Others are supported by the discretionary authority of the US Government to purchase an agency's obligations. Still others are backed only by the credit of the agency, authority, instrumentality, or sponsored enterprise issuing the obligation. No assurance can be given that the US Government would provide financial support to any of these entities if it is not obligated to do so by law.
- Municipal Securities Risk – Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers of municipal securities, and the possibility of future legislative changes that may affect the market for and value of municipal securities. Certain municipal securities, including private activity bonds, are not backed by the full faith, credit, and taxing power of the issuer. Additionally, if events occur after the security is acquired that impact the security's tax-exempt status, the Client may become subject to tax liabilities.

## Item 9 – Disciplinary Information

There are no legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of this advisory business or the integrity of our management.

## Item 10 – Other Financial Industry Activities and Affiliations

Our sole business is providing discretionary investment advisory services.

### SPIN

We have an ongoing relationship with SPIN as follows. In providing these services, SPIN may acquire information about SPA. SPA endeavors to ensure that all SPA Client information that is required for the services below is subject to strict use controls. SPA Client positions, recommendations or orders being worked do not pass to SPIN or related persons, consistent with Advisers Act requirements. Information is segregated or encrypted as necessary, and SPA monitors or causes to be monitored activities and employees to ensure no leakage of Client information.

SPIN provides services and resources to SPA through the SPA-SPIN SLA. These services and resources include the following.

#### (a) Corporate support services

SPIN provides support in the areas of Human Resources, Legal & Compliance, and Marketing and Information Technology.

SPIN provides and maintains SPA's asset management system, called PM1e.

(b) Financial support services

SPIN provides controlling and other bookkeeping services (SPIN maintains duplicate records of the original Client records maintained by SPA). SPIN calculates the Fees for SPA Clients, according to the Client IMA. Fees are calculated on the basis of the account valuations provided by the custodian. SPA receives copies of the custodian's mailing to Clients and provides relevant information to SPIN solely for the purpose of SPIN calculating SPA's Fees and establishing and maintaining PM1e. SPIN does not and cannot use that information for any purpose other than as described above. SPA then prepares an invoice and submits this to the Client and the custodian. The payment of the Fee then takes place as described in Item 5 – Fees and Compensation. The CCO monitors this process. SPIN never substitutes a valuation for a Client position, and always uses the actual portfolio valuation provided by the custodian.

(c) Office services

SPIN provides maintenance services for office equipment as well as organizational services and access to conference rooms. SPA has physical separation between its offices and those of SPIN. SPIN employees cannot enter the SPA offices without being admitted and escorted by a SPA employee, and vice versa.

SPA referrals

SPA may, from time to time, refer its Clients, with their prior consent, to non-affiliated third parties for additional services, such as estate planning or tax optimization and reporting. SPA does not receive any benefits, remuneration, or fee for such referrals.

SPA officers or employees providing services to SPIN

From time to time, officers or employees of SPA may provide asset management services to certain clients of SPIN, or limited purpose operational assistance. The types of clients served are corporations and a limited number of individuals. Information barriers are in place to help ensure that no information confidential to SPA or concerning SPA clients is passed to SPIN or any SPIN client. All trade instructions for SPIN clients are issued by SPIN and are processed after those of SPA clients. SPA and SPIN client orders are not bunched or allocated.

Information barriers between SPIN and SPA prevent SPIN from obtaining information about recommendations that SPA makes for its Clients. Similar controls exist at SPA and SPIN to prevent SPA recommendations from being disclosed to SPIN. SPIN does not provide advice or recommendations to SPA for it to use on behalf of its Clients, whether directly or indirectly. SPIN does not trade on behalf of SPA. SPA Clients are prohibited from buying any SPIN products or engaging in any cross trades with SPIN clients. The CEO and the Chief Compliance Officer ("CCO") separately monitor these controls to ensure compliance. SPA monitors to ensure that no restricted information is leaked to or from SPIN or a related person.

Mr. Ahluwalia is the SPA CIO and also performs a similar role at SPIN. To address this conflict of interest, SPA will use policies and procedures to protect against the misuse of confidential client information, and engage in monitoring and testing to ensure that Mr. Ahluwalia keeps SPA and SPIN activities separate with no information leakage or cross trading.

Records of monitoring and testing are maintained and reviewed regularly. Breaches are addressed when discovered and remedial action is taken as required.

For a discussion of the material conflicts of interest involving the above, see "Conflicts of Interest" (Item 11 below).

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

### Code of Ethics

SPA administers and enforces a Code of Ethics pursuant to Advisers Act Rule 204A-1. This includes provisions that address ethical standards of behavior, conflicts of interest, personal account trading, the reporting of violations of the Code of Ethics, and other requirements. SPA treats all of its employees and persons associated with it as “access persons,” as defined under Rule 204A-1, and as “supervised persons,” as defined under Section 202(a) of the Advisers Act. Certain provisions of the Code of Ethics cover “connected persons” (family members living in the same household and having a beneficial ownership of securities).

The areas covered by the SPA Code of Ethics are:

- a. prohibition against the misuse of material non-public information;
- b. personal account dealing rules (pre-clearance, reporting, and analysis);
- c. gifts and entertainment;
- d. protecting the confidentiality of Client information;
- e. dealing with conflicts of interest;
- f. respecting SPA corporate and Client confidential information;
- g. establishing standards of behavior; and
- h. requiring reporting to the CCO of any Code of Ethics violation.

SPA is a fiduciary and has a duty to act in the best interests of its Clients. SPA expects that all of its employees observe the highest standards of honesty, integrity, and professionalism. More specifically, SPA expects that “access persons” will at all times:

1. comply with all relevant laws and regulations;
2. act always solely in the best interests of Clients;
3. conduct all personal securities transactions in accordance with the Code of Ethics and avoid any conflict of interest or abuse of their position of trust and responsibility;
4. hold all Client information, including securities holdings and financial information, in confidence; and
5. maintain independence in the decision-making process on behalf of Clients.

The Code of Ethics prohibits personnel from engaging in conduct commonly known as “insider trading” or misusing material, non-public information (“inside information”) under both Swiss and US law, and it controls the giving and receiving of gifts and the ability to accept certain positions with other companies or engage in certain outside interests.

The Code of Ethics also restricts personal securities transactions by various means. These restrictions apply to “access persons”, “connected persons”, and “associated persons” as stated in the Code of Ethics. “Access persons”, “connected persons”, or “associated persons” may not buy or sell for themselves the securities that SPA recommends for its Clients.

Personal account transactions of “access persons”, “connected persons” and “associated persons” are subject to compliance with the Code of Ethics and are monitored by our CCO. If a person subject to the Code of Ethics fails to comply with it, such person may be subject to sanctions, which may include warnings, disgorgement of profits, restrictions on future personal trading, and, in the most severe cases, the possibility of dismissal.

In order to monitor compliance by our personnel with the Code of Ethics and applicable law, each officer, director, and employee is required to comply with initial, quarterly, and annual reporting of their accounts and securities positions, as well as of the contract note/confirmation

of each trade. Access persons are responsible for and do this for their connected persons. In addition, each officer, director, and employee is required to sign a statement to acknowledge that they have received, read, and understand the Code of Ethics and will comply with it, as well as confirming that they will not misuse inside information.

This is a summary description of our Code of Ethics. We will provide clients and prospective clients with a copy upon request.

Apart from this, we maintain a log of material conflicts of interest and the means to address/resolve them, as well as an inventory of compliance risks: a Compliance Risk Inventory, which we review which we review on a regular basis as part of our risk management program.

### **Conflicts of Interest**

SPA does not buy or sell securities for itself or maintain proprietary accounts. It does not exercise discretion or control over any SPIN assets. It does, however, and subject to controls, on occasion provide asset management services to SPIN for certain non-US SPIN clients as detailed in item 10.

From time to time, a Client account may purchase or hold a security in which a related person of SPA has an ownership position or financial interest, or a related person may purchase a security that is held in a Client account. SPA may recommend to its Clients investments in one or more investment vehicles, including mutual funds and other pooled investment vehicles, in which SPIN, SPA's affiliates, or related persons have a financial interest as manager, partner, trustee, or co-investor. SPA employees are seconded by SPIN to SPA. This relationship may create an incentive for us to recommend investments in which SPIN has a financial interest. Although SPA does not hold proprietary positions, SPA's related persons may own, buy, or sell for themselves the same securities that they or SPA have recommended to Clients.

SPA's policies and procedures and controls are intended to address the impact of these and other conflicts of interest. Information barriers exist that prevent SPA and SPIN, and any related person of SPA, from exchanging advice and recommendations. SPA's research, recommendations, and placement of orders are done independently from SPIN, SPA's affiliates, and all related persons. If one of the above were to occur, it would have taken place as the result of independent research, recommendations, and trading activity, and not through information sharing (intentional or otherwise), knowledge, or any other means.

The portfolio managers managing SPA's Clients' accounts may manage other Client accounts with an identical or largely similar investment strategy. Side-by-side management of different types of accounts involves conflicts of interest when two or more accounts invest in the same securities or pursue a similar strategy. These conflicts include the favorable or preferential treatment of an account or group of accounts, or of those related to the allocation of investment opportunities, particularly with respect to securities that have limited availability, such as initial public offerings and transactions in one account that follows closely related transactions in a different account (e.g. a purchase of securities for an account after a purchase of the same securities in another account has increased the value of the securities). See Item 6 above for a discussion of conflicts of interest associated with performance-based or incentive-based fees.

The results of investment activities for one account may differ significantly from the results achieved by SPA for other accounts.

SPA seeks to ensure that all Client accounts are treated fairly and equitably. Purchase and sale opportunities are allocated equitably. In general, investment decisions for each account are made with specific reference to the Client's designated needs, objectives, and restrictions. There is no requirement that SPA use the same procedures consistently with respect to all accounts. Different strategies and Client guidelines and restrictions may lead to the use of different methodologies. Accordingly, SPA may give advice or exercise investment responsibility or take other actions for some Clients (including related persons) that differ from the advice given, or the timing and nature of actions taken, for other Clients, provided that SPA seeks to ensure that all Clients are treated fairly and equitably. Investment results for different accounts,

including accounts that are generally managed in a similar style, may differ as a result of these considerations. Some Clients may not participate in certain investments in which other Clients participate, or may participate to a different degree or at a different time than other Clients do.

As noted above, the SPA CIO is also the Chief Investment Officer of SPIN. Controls are in place to help ensure the proper discharge of his respective duties and to prevent information leakage and cross trading. SPA will monitor the CIO's activities and records. All information relating to this mandate and SPA will be kept in SPA's premises. He will be supervised in his duties by the SPA CEO.

SPIN's Chief Legal Officer ("CLO") is seconded to SPA. The CLO provides legal advice to SPA and to SPIN. Controls are in place to seek to prevent information leakage and ensure the proper discharge of the CLO's duties. SPA will monitor the CLO's activities and records to seek to ensure the proper performance of the CLO's functions. The CLO will keep information about SPA at SPA's premises.

SPIN is in the same business as SPA. SPA will seek to ensure the separation of Client records, advice, research, and recommendations from SPIN and related persons. It may, however, engage in limited-purpose sharing of strictly factual information or market data. SPA will employ controls designed to prevent SPA from receiving recommendations from SPIN or a related person or otherwise acting on them, and vice versa. SPA will not buy any SPIN product or engage in any cross trades with SPIN Clients. SPA will not engage in cross trading with SPIN or any affiliated entity for SPA Clients. The CEO and the CCO will monitor this separately in order to seek to ensure compliance. Records of monitoring and testing will be maintained and reviewed regularly. SPA engages in monitoring to seek to ensure no leakage of restricted information to or from SPIN or a related person. Breaches will be addressed when discovered and remedial action taken as required.

SPA employees are seconded by SPIN to SPA.

Only SPA's CEO supervises, manages, and controls SPA employees. SPA will seek to ensure that no inadvertent exchange of information will occur.

SPA has a Service Level Agreement with SPIN. Because of this, SPIN may acquire information about SPA. SPA will endeavor to ensure that SPA Clients' recommendations do not pass to SPIN or related persons, consistent with Advisers Act requirements and SPA controls, policies, and procedures. All services provided to SPA by SPIN will be monitored. Information will be segregated or encrypted as necessary, and SPA will monitor activities and employees to seek to ensure no leakage of recommendations or restricted information. The arrangement may also present conflicts regarding the allocation of time and effort on the part of staff members between SPIN and SPA. The CEO and the CCO will seek to ensure that the provisions of this agreement are enforced, reviewed, and amended when required.

Martin Egli, the non-executive Chairman of the Board of Directors of SPA, holds the same position at SPIN. Mr. Egli does not have access to Client data, recommendations, or asset management information. The CCO and the CEO monitor compliance with the controls designed to address this.

Dominique Spillmann, the CEO of SPA, is an officer and executive director of SPA. SPA's Board of Directors will monitor the performance by Mr. Spillmann of his duties. Mr. Spillmann will abstain from voting at meetings of the SPA Board of Directors on issues relating to himself and his performance.

SPA has the same external auditor as SPIN. SPA will establish an individual contract for the audit work for SPA, which provides that the auditor may under no circumstances provide information about SPA's recommendations or Client positions to SPIN or related persons.

The asset management of SPA is run by the CIO and one portfolio manager. They back each other up. SPA will monitor the workflows, controls, policies, and procedures that are codified in its Asset Management Manual. The CEO will control and supervise the activities of the CIO.



Because of the small size of the team, SPA relies on individuals engaging in cross-backup functions other than advice/recommendations and management. Conflicts will be addressed in such a manner to seek to ensure the protection of confidential client information.

IT services are provided to SPA via the SPA-SPIN SLA. IT will seek to ensure the encryption of all sensitive data. Data saved on the SPA storage hardware at the SPIN server is encrypted so that no SPIN employee or IT personnel are able to access the contents.

SPIN calculates the Fees for SPA Clients according to the Fee schedule agreed by the Client and SPA. Fees are calculated on the account valuations calculated by the custodian and provided to SPA which, in turn, provides these on a confidential basis to SPIN for SPIN to calculate the Fee. In turn, SPA provides copies of the custodian mailing to Clients to SPIN, solely for the purpose of calculating SPA's asset management fees and establishing and maintaining SPA's asset management system (PM1e). SPIN is prohibited from using such information for any purpose other than as described above. SPA then prepares an invoice and submits this to the Client and the custodian. The payment of the Fee then takes place as described above in Item 5. The CCO regularly monitors this process. SPIN will not substitute a valuation for a Client position, but will at all times use the actual portfolio valuation provided by the custodian. The custodian will provide the Client with account statements and valuations as required by the Advisers Act. Annually, SPA will provide the Client with a "verification statement" that sets forth the Client positions and valuations, requesting the Client to confirm the information provided therein. SPA undertakes to provide its Clients with information on a more frequent basis, on demand.

## **Item 12 – Brokerage and Trading Practices**

### **Account opening and the selection of a custodian**

The Client, not SPA, selects the custodian. SPA exercises investment discretion over Client assets held with custodians and, with one exception, places orders to buy or sell securities with the trading desks of the Client's custodian. In this regard, SPA is not involved in the execution of transactions in that it has no contact with the executing broker or any involvement in trade execution.

The exception is where a Client selects Bank J. Safra Sarasin & Cie. AG ("Bank Sarasin") as custodian: SPA as requested by this custodian, will route fixed income and equity orders to Auerbach Grayson, a FINRA registered broker independent of Bank Sarasin. This firm acts as agency broker dealer for US securities and as introducing broker for non-US securities. This custodian will be informed of trades after they are executed so that it may settle such trades. Settlement is performed between the broker dealer and the custodian on a DVP (delivery versus payment) basis.

Client must understand that, in trading in this manner, they may not achieve the lowest possible execution cost as SPA is not responsible for the actual commission rate to be paid.

### **Soft Dollars**

We do not engage in the practice of soft dollars/bundling or unbundling.

### **Best execution**

Best execution is a qualitative assessment of seeking the best execution for our Clients, bearing in mind factors such as:

- price;
- costs;
- speed;
- likelihood of execution;
- likelihood of settlement;
- size of the trade;

- nature of the trade.; and
- any other factor relevant to the execution of the order.

The importance of these factors varies by trade and will be determined by reference to the characteristics of the order, the financial instrument, the execution venues on which the order can be executed, and the characteristics and categorization of the client.

SPA may operate in the OTC or derivatives markets where liquidity may be thin or prices may not move along a continuum. Achieving a desired trading outcome may be more complex than simply buying or selling at the best price. It will depend significantly on the decision taken by investment managers as to when and with which counterparty to execute a particular trade.

When we place an order with a custodian's trading desk or in the case of equity and fixed income trades for Bank Sarasin clients with the agency broker, we require that desk to provide us with best execution. SPA will require it to confirm in writing that it has a best execution policy (and procedures), applies it to every transaction, and provides SPA with relevant information for SPA to be able to verify whether that firm has obtained best execution, as well as the analysis that such firm has used for its own evaluation of best execution. SPA checks at least annually with the custodian that they are in compliance with this policy in, or more frequently when the situation warrants. Any exceptions that are discovered are reviewed.

For fixed income and equity orders for Clients using Bank Sarasin as custodian, SPA will apply the criteria noted above as regards best execution and engage in monitoring and testing to confirm that a Client has achieved best execution.

## **Aggregation and Allocation**

### *Aggregation*

As noted above, orders are given to the trading desk of a custodian or, in one instance as noted above, a designed executing broker. SPA only aggregates and allocates orders for two or more clients with the same custodian and does not "cross-custodian" aggregate or allocate.

When we trade for more than one Client account at a time with the same custodian, we aggregate orders as we believe this will allow us to obtain best execution and negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders, we seek to treat all of our Clients in a fair and equitable manner. We do not aggregate orders unless aggregation is consistent with our duty to obtain best execution. No account is favored over any other Client. However, a variety of factors determine whether or not a specific Client may or may not participate in a particular aggregated transaction. These include, but are not limited to, investment objectives and strategies, position weightings, cash availability, risk tolerance, and restrictions. Because of differences identified above, there may be differences in invested positions and securities held that may lead to security dispersion among Client accounts.

### *Allocation*

When we trade for more than one portfolio or client with a single custodian, the following guidelines are followed.

Allocations for orders for two or more portfolios or clients with a single custodian are recorded before placing the order. We do this process for all orders, with each custodian. Allocation is effected on a pro rata basis within a given strategy, subject to conditions such as cash available, strategy and individual Client requirements. Allocation is checked post-trade for consistency with pre-trade allocations and to identify any unapproved deviations.

Order priority where orders are placed with two or more custodians is determined on the basis of the priority going to the custodian with the largest amount of SPA Client assets held with that custodian, followed by orders being placed with smaller amounts of assets custodied.

Filled orders are allocated according to the stated pre-trade allocation. In the event of *de minimis* allocation for a partial allocation, SPA will allocate on a *pro rata* basis according to the original allocation.

We monitor aggregation, allocation and execution on a daily basis.

### **Trading errors**

We have a trading errors policy. To the extent trading errors occur we seek to ensure that Clients' best interests are protected. Our policy is to resolve all trade errors within a reasonable time while ensuring that the Client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. Actual losses suffered by a Client account as a result of a trade error caused by us are reimbursed by us. Gains accrue to a Client, except that we do not compensate our Clients for lost investment opportunities (e.g. failure to take advantage of investment or market improvements).

## **Item 13 – Review of Accounts**

### **Frequency of Reviews**

At the start of a Client relationship, the CIO and the CEO review the IMA and Client details are entered in the internal client system, SMART. This reflects the Client's investment objectives and restrictions. The CIO (or his designated deputy in his absence) assumes the day-to-day management of Client assets in line with the IMA. The CIO reviews each account at least monthly or more often if deemed appropriate to determine, among other things, whether each account is appropriately positioned and whether investment objectives and policies are being followed.

On a quarterly basis, the CIO produces a report to the CEO which, among other things, monitors performance statistics and compliance with investment constraints and allocation grids for each client. This report is reviewed by SPA's Asset Management Committee ("AMC") and discussed with the CCO. Any deviation from a Client's investment profile greater than 5% (in absolute terms) must be justified by the CIO in writing. It is the responsibility of the CIO to take remedial action where required.

In addition to the above in-depth monthly reviews, random reviews are also performed by the CIO and/or other SPA employees where required.

### **Written Reports**

SPA does not issue written Client reports. The custodian issues Client reports at least on a quarterly basis directly to the Client. SPA receives copies of those reports and monitors them. SPA brings any material error with financial consequences that it identifies to the immediate attention of the Client and, where appropriate, to the custodian for review and rectification.

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

SPA does not receive any cash or other economic benefits from any non-Client in connection with giving advice to Clients.

We have entered into contractual arrangements with firms / individuals to solicit US Clients for us. The arrangements are made in writing pursuant to Rule 206(4)-3 under the Advisers Act. This requires, among other things, that such solicitors comply with requirements of the Rule and other applicable law, as well as their contract with us. Pursuant to the written agreement between SPA and the solicitor, the solicitor will provide each prospective client with a copy of SPA's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and SPA and any fees to be paid to the solicitor.

Solicited clients do not pay higher fees than other clients due to the compensation paid to the solicitor. Other than this, SPA does not pay compensation – directly or indirectly – to external parties for Client referrals.

All such relationships are established through contracts signed by the referral agent and SPA. In the case of indirect compensation, a special Disclosure Document is signed by all affected Clients when opening an account with us.

### **Item 15 – Custody**

We do not maintain physical possession of funds or securities of any Client. Clients select commercial banks that are “qualified custodians” to serve as custodian of funds and/or securities.

All Clients receive statements of account holdings from their custodian at least on a quarterly, and in most cases on a monthly basis. SPA receives copies of such statements. Upon request we may provide Clients with additional activity details upon request.

The Client is required to consent in writing to the payment of the Fee and other charges by the custodian that are duly owed by the Client to SPA, directly from the account and upon the presentation of an invoice by SPA to the custodian stating the amount of the Fee and other charges, if any. This is based on provisions in the custodian-Client agreement that require the custodian, acting as agent for the Client, to withdraw, with the Client’s approval and consent, the Fees owed by the Client to SPA, and to pay SPA. No further consent from the Client shall be required for such payment to SPA by the custodian each quarter. SPA will provide the Client with its invoice at or prior to the time that invoices are presented to the custodian.

### **Item 16 – Investment Discretion**

We are retained to manage accounts on a discretionary basis. Within a Client’s specified investment objectives and guidelines, we determine without further consultation with the Client which securities are bought or sold and the total amount of securities to be bought or sold. In exercising our investment discretion, we work according to the investment policies and guidelines that are established at the inception of the adviser-Client relationship in our IMA with Appendix I and II (or as amended from time to time). In certain circumstances, Clients may also prevent certain securities from being purchased for their account.

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

Under the terms of its agreements with Clients, SPA does not vote proxies. This is done by the custodian of the Client in accordance with the Clients’ instructions. The custodian ensures that all proxy materials are provided without delay to the Client (SPA receiving a copy of them), takes and acts on Client instructions, and keeps both SPA and the Client informed of all activities. Nevertheless, SPA may in extraordinary circumstances (e.g. insolvency) decide in the best interest of the Client to arrange proxy voting. If this is done, the Client will be properly notified. If it transpires that we and a Client wish to vote a proxy, we will refrain from acting and defer to the Client’s instructions to the custodian.

Clients may request information about how their securities were voted by contacting us at our main office at the address given above. Upon request, Clients will also obtain from us a copy of our proxy voting policies and procedures.

Clients may contact SPA with questions about a particular proxy solicitation.

### **Item 18 – Financial Information**

No balance sheet is required to be provided. Our financial condition is such that our ability to meet contractual commitments to clients is not impaired, and we have not been the subject of any bankruptcy proceedings.

### **Item 19 – Requirements for State-Registered Advisers**

SPA is registered with the SEC and has no disclosure requirements under this Item.