

**Item 1: Cover Page**

**Ranieri Partners Asset Management LLC**

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November 1, 2013

This brochure provides information about the qualifications and business practices of Ranieri Partners Asset Management LLC. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Venkat Rao at (212) 558 - 2079. 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.

Ranieri Partners Asset Management LLC is a registered investment adviser. SEC registration does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

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

**Item 2: Material Changes**

As of November 1, 2013, Julie Madnick, Managing Director, is no longer with Ranieri Partners Management LLC (“RPAM”).

As of November 1, 2013 Andrew Bennett Serling joined RPAM as a Managing Director and will assume Ms. Madnick’s role. Mr. Serling’s biography can be found in Part 2 B.

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#### **Item 4: Advisory Business**

Ranieri Partners Asset Management LLC (“RPAM” or “we”) is a registered investment adviser organized as a limited liability company that has been in business for three years. The principal owner is Situs Holdings, LLC.

RPAM provides investment advisory services on a discretionary or nondiscretionary basis to separate accounts for insurance companies, collective trusts, pension plans, corporations, and other institutional investors. RPAM offers investment advisory services only with respect to fixed income securities, including:

- High yield and high grade residential-mortgage backed securities (“RMBSs”) and commercial mortgage-backed securities (“CMBSs”);
- High grade asset-backed securities (“ABSs”);
- Agency mortgage-backed securities (“Agencies”) and debentures;
- U.S. Treasuries
- Short term investments such as commercial paper, discount notes and repurchase agreements

RPAM enters into an investment advisory agreement with each of its clients. RPAM works with each client in establishing the appropriate investment strategy and investment guidelines for such client. RPAM will review a client’s current portfolio and make recommendations as to the appropriateness of current holdings to meet the client’s needs and objectives. Clients also may establish investment restrictions and additional instructions, directions, or guidelines as part of the investment advisory agreement, and from time to time, clients may amend the investment guidelines as well.

As of December 31, RPAM manages approximately \$7,671,548 million client assets on a discretionary basis and approximately \$145,480.009 million client assets on a nondiscretionary basis.

#### **Item 5: Fees and Compensation**

Advisory fees are subject to a fee schedule set forth below and vary depending on the investment strategy, but are negotiable. Generally, the advisory fee charged by RPAM for its services in managing separate accounts is calculated based on the average market

value of the assets under management in the separate account during the billing quarter. RPAM provides clients fee invoices, which contain the amount of the fee, the value of the assets in the account on which the fee was based, and the specific manner in which the fee was calculated. Our advisory fees are payable quarterly in arrears. The amount of any advisory fee paid by a client is prorated for periods of less than a full quarter at the beginning or end of RPAM's management. Our services are terminable by us or by the client, generally upon 30 days written notice to the other party.

Below are our standard fee schedules:

<u>Investment Strategy</u>	<u>Standard Fee</u>
Agency RMBS	0.50%
Non Agency RMBS and CMBS	1.00%
Opportunistic (Agency, MBS, Non-Agency, RMBS and CMBS)	0.75%
Short Duration	0.20%

Generally, clients pay fees in arrears, but may pay advisory fees in advance, and upon termination of an advisory relationship, fees will be prorated to the date of termination; any accrued portion of unpaid fees will be retained by RPAM and any unearned portion of prepaid fees will be refunded by RPAM.

RPAM reserves the right to negotiate fees. Some clients pay more or less than others depending on certain factors, including but not limited to, the type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a single client. The fees that we charge for investment advisory services are specific in the investment advisory agreement between RPAM and each individual client.

RPAM also may waive or modify advisory fees for members, employees, or affiliates of RPAM and for relatives of such persons.

Clients may pay other expenses in addition to the fees paid to RPAM. For example, clients may pay costs such as brokerage commissions, transaction fees, custodial fees,

transfer taxes, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by RPAM. (Item 12 provides more information on our brokerage practices.)

RPAM and its supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sale charges or service fees from the sale of mutual funds.

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

This section is inapplicable

#### **Item 7: Types of Clients**

RPAM provides investment advisory services on a discretionary or nondiscretionary basis to separate accounts for insurance companies, collective trusts, pension plans, corporations, and other institutional investors. RPAM imposes a minimum account size of \$10 million; however, it may waive such investment minimums at its discretion.

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

RPAM's fixed income strategies employ fundamental and technical methods. RPAM has a number of proprietary models to identify value and manage portfolio risk.

The investment strategies used to implement advice to clients include:

- Bottom-up credit analysis (With respect to mortgage-backed securities, a deep credit analysis of underlying collateral, prepayment risk analysis, real estate underwriting, default risk, and structure of the bonds);
- Relative value analysis of various securities and sectors which can lead to short-term purchases and sales;

Our investment process begins with determining our macroeconomic outlook. We evaluate the health of the consumer including house prices and performance metrics of all consumer related debt, commercial real estate metrics, government and Federal Reserve policies and regulations and review of the banking system. With this information as a backdrop, we then review the various risk and return opportunities in the market, especially as they relate to credit sensitive sectors like CMBS, RMBS and ABS markets. We make buy / hold / sell decisions based on this review and execute on behalf of the portfolio.

Our CMBS process is centered on bottom up, loan level credit analysis. Large loans and loans determined to carry higher than average risks are reviewed by credit analysts. Sustainable cash flows are determined by reviewing historical loan performance, tenancy, market rental rates and property specific factors. Property valuations are determined by applying market level capitalization rates. Loan level losses and timing of loss are ascribed when valuations are lower than current loan balances. Once cumulative losses are determined, bond structures and pricing are reviewed to determine buy/hold/sell decisions in accordance with individual portfolio objectives.

Our RMBS and ABS investment processes are tailored to meet the unique characteristics of each asset class. RPAM's RMBS process is based on stochastic modeling of prepayments, home prices, defaults and severities derived from loan-level borrower and MSA data. We also review the impact of origination characteristics, servicer behavior, deal structure and cash flow waterfall. Our goal is to determine the value and the volatility of value through a wide range and combinations of prepayment, default, severity and home trends. RPAM's ABS processes are focused on issuer reviews, collateral performance, industry trends, bond structure and price analysis.

The material risks associated with these strategies are:

**Bond Market Risk**– The value of debt securities tend to fall as interest rates rise. In addition, such securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates.

**Management Risk** – Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated.

Credit Risk – Credit risk is that risk that a MBS/ABS will (1) decline in price due to deterioration of the issuer's or underlying pool's financial condition or other events or (2) fail to pay interest or principal when due.

*Subordinated Securities* – Credit enhancement in the form of subordination provides for the issuance of a senior class of certificates which are generally rated at least AA/Aa by any of the rating agencies and one or more classes of subordinated certificates which bear ratings lower than the senior certificates. Such subordinated classes are subject to a greater degree of nonpayment than senior classes. Holders of either the senior or the subordinated certificates will ordinarily be entitled to a pro rata share of distributions of principal and interest. In the event that delinquencies and defaults on the underlying mortgage loans cause a shortfall in the distributions to the senior certificates, distributions otherwise payable to the subordinated certificates will be distributed to the senior certificates to the extent required. Subordinated securities carry different degrees of risk, which can be measured by current credit ratings as well as RPAM's analysis of security risks.

*High Yield/Below Investment Grade Risk* – Generally, lower rated or unrated securities of equivalent credit quality offer a higher return potential than higher rated securities but involve greater volatility of price and greater risk of loss of income and principal, including the possibility of a default or bankruptcy of issuers of such securities. Lower rated securities and comparable unrated securities will likely have larger uncertainties or major risk exposure to adverse conditions and are predominantly speculative. The occurrence of adverse conditions and uncertainties would likely reduce the value of lower rated securities. Further, lower rated securities carry fewer structural protections, often referred to as credit enhancements, which can lead to larger losses relative to higher rated securities. While the market values of lower rated securities and unrated securities of equivalent credit quality tend to react less to fluctuations in interest rate levels than do those of higher rated securities, the market value of certain of these lower rated securities also tend to be more sensitive to changes in economic conditions including unemployment rates, inflation rates and negative investor perception than higher rated securities. Lower rated securities and unrated securities of equivalent credit quality generally present a higher degree of credit risk.

Liquidity Risk – Liquidity relates to the ability of RPAM to readily dispose of securities and the price to be paid therefor. Certain MBS or ABS may be deemed to be restricted or illiquid securities. Illiquid securities are subject to legal or contractual restrictions on disposition or lack an established secondary trading market. The sale of restricted or illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Conversely, these risks are typically reflected in a discounted purchase price.

Generally, securities that are subordinated will not enjoy as great of liquidity as senior securities. A security with a lower rating is typically less liquid than a security with a higher rating. Bid/offer spreads will also typically be wider for lower rated securities.

Risks of Investing in CMBS – Investments in CMBS involve the credit risk of delinquency and default. Delinquency refers to interruptions in the payment of interest and principal. Default refers to the potential for unrecoverable principal loss from the sale of the foreclosed property. These risks include the risks inherent in the commercial mortgage loans, which support such CMBS, and the risks associated with direct ownership of real estate. The factors contributing to these risks include the effects of general and local economic conditions on real estate values, the conditions of specific industry segments, the ability of tenants to make lease payments and the ability of a property to attract and retain tenants, which in turn may be affected by local conditions such as oversupply of space or a reduction of available space, the ability of the owner to provide adequate maintenance and insurance, changes in management of the underlying commercial property, government regulations (with respect to environmental, zoning, rent control, bankruptcy and other matters), environmental risks, real estate and other taxes, and prepayments of the underlying commercial mortgage loans.

Risk of Investing in RMBS & ABS – The investment characteristics of RMBS and real estate-related ABS differ from those of traditional debt securities. The major differences include the fact that, on certain RMBS and real estate related ABS, prepayments of principal may be made at any time. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty. In periods of declining mortgage interest rates, prepayments on MBS and real estate-related ABS generally increase. If interest rates in

general also decline, the amounts available for reinvestment by the client account during such periods are likely to be reinvested at lower interest rates than the client account was earning on the securities that were prepaid. Such securities may decrease more in value as a result of increases in interest rates and may benefit less than other fixed income securities from declining interest rates because of the risk of prepayment. In general, changes in both prepayment rates and interest rates will change the total return of RMBS and real estate-related ABS. Under certain interest rate or prepayment scenarios, a client account may fail to recoup fully its investment in such securities, even if the securities have been assigned the highest rating by a ratings agency or are issued or guaranteed by the U.S. government or one of its agencies or instrumentalities.

Hedging Transactions – RPAM may employ a variety of hedging transactions such as interest rate swaps, credit default swaps, total rate of return swaps and futures contracts and related options. The principal risks relating to the use of hedging transactions are: (a) possible imperfect correlation between changes in the value of the hedging instrument and the changes in the market value of the underlying securities; (b) possible lack of a liquid secondary market for closing out or offsetting a hedging position; (c) losses on hedging positions resulting from general movements in securities prices or interest rate movements not anticipated by RPAM, and (d) the possibility that the client account could be obligated to pay variation margin on a hedging position at a time when it would be disadvantageous to do so. While the use of hedging transactions should tend to minimize the risk of loss resulting from a decline in the value of hedged portfolio securities, these transactions will tend to limit any potential that could result from an increase in the value of these securities. Such transactions also are subject to the risk that if RPAM is incorrect in its forecast of interest rates, market values or other economic factors affecting such transaction, the client account would have been better off if it had not entered into the transaction.

Investing in securities involves risk of loss that clients should be prepared to bear.

#### **Item 9: Disciplinary Information**

This Section is inapplicable.

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

As noted in Item 4, Situs Holdings, LLC (“Situs”) is a principal owner of RPAM. Situs (formerly known as Helios AMC, LLC), is a special servicer of CMBS. As a special servicer, Situs is entitled to a servicing fee paid by a CMBS trust of typically 25 basis points per annum plus fees of up to 1% assumption and/or modification fees for the workout of loans within the CMBS trust that are delinquent or require modification. The fees paid to Situs are determined in the Pooling and Servicing Agreement of the CMBS at the time of issuance of the securities and these fees are generally consistent across CMBS deals and across servicers. Additionally, the standard of care and the duties of the special servicer are also governed by the Pooling and Servicing Agreement of the CMBS at the time of issuance of the securities.

Various potential and actual conflicts of interest may arise from the overall investment and business activity of RPAM and its affiliates. . Situs, in addition to being a CMBS Special Servicer, provides commercial real estate due diligence services. Situs may have access to material non-public information regarding commercial loan origination and valuation. CMBS and loan products in which RPAM may invest may have been reviewed by Situs. RPAM has appropriate policies and walls in place such that material non-public information accessed by Situs is not accessible to RPAM. The foregoing analysis applies to RPAM and its multiple clients as well. RPAM has policies and procedures to ensure that client purchases or sales are treated as confidential information and are not communicated to its affiliates. In addition, RPAM has allocation policies and procedures in place to ensure equitable and fair allocation of investment opportunities across multiple clients.

In some cases, certain clients of RPAM may own interests junior to certain commercial mortgage-backed securities, and RPAM may have the right, on behalf of its clients who are controlling class representatives or other equivalent function, to appoint a special servicer and consent to or require certain actions be taken by the trustees and/or servicers for such transactions. RPAM’s actions in such instances may conflict with the interest of another client who may hold classes that are senior to the classes held by another client. Special servicers are appointed by a majority of the bondholders of the most subordinate class of the CMBS, designated the controlling class representative, and from time to time, should RPAM’s client(s) own in excess of 50% of a controlling class of a CMBS, RPAM may recommend to client(s) that it designate Situs as the special servicer for that CMBS.

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

RPAM has adopted a Code of Ethics designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which sets forth rules of conduct for our employees. In summary, the Code prohibits insider trading, regulates personal securities trading activities in the accounts of employees, and prescribes standards for dealing with clients ethically. A copy of the Code of Ethics is available upon written request by a client or prospective client.

RPAM does not purchase or sell securities for its own account. Our employees however, may acquire, hold, or dispose of the same investments for their own accounts as are held or are to be purchased or sold for a client's account; however, other than with respect to permitted transactions, no employee may purchase or sell any security (or a closely related security, such as an option) within seven (7) calendar days immediately before or after any calendar day on which any client account purchases or sells that security (or a closely related security). Additionally, other than with respect to permitted transactions, no employee may engage in any transaction involving: (i) any securities issued by any registered investment company managed by RPAM or affiliated with RPAM; (ii) any securities issued by any other client of RPAM; or (iii) any mortgage-backed securities without preclearance.

Generally, such restrictions also apply to certain members of each employee's family. These restrictions are monitored and reported to the Chief Compliance Officer.

"Permitted transactions" include: (a) transactions in certain securities by a client account as to which the employee has beneficial ownership; (b) transactions in certain securities issued or guaranteed by any national government that is a member of the Organization for Economic Cooperation and Development, or any agency or authority thereof; (c) transactions that occur by operation of law or under any other circumstance in which the employee does not exercise any discretion to buy or to sell or make recommendations to a person who exercises such discretion; (d) purchases of certain securities under an automatic dividend reinvestment plan; and (e) purchases under the exercise of rights issued pro rata to all holders of the class of securities held by the employee and received by the employee from the issuer.

## **Item 12: Brokerage Practices**

### **Broker Selection & Best Execution**

In effecting portfolio transactions for client accounts for which we exercise discretionary authority in the selection of brokers and dealers, we seek the best execution available.

We determine what constitutes best execution by considering, without limitation:

- Speed of execution;
- Price improvement;
- Ability of the broker-dealer to minimize cost associated with implementing investment decisions;
- Character and market for the particular security;
- Size and type of transaction;
- Broker-dealer's location and access to primary markets and quotation sources;
- Broker-dealer's familiarity with, and knowledge of, the primary markets;
- Broker-dealer's trade settlement;
- Broker-dealer's experience with high-volume transactions;
- Ability of the broker-dealer to handle large trades with limited liquidity;
- Broker-dealer's responsiveness, financial responsibility, and any other factors that may affect confidence in the broker-dealer's stability;
- Adequacy of the capital of the broker-dealer in relationship to other broker-dealers;
- Broker-dealer's willingness to accommodate our special needs;
- Broker-dealer's accuracy in preparation of confirmations;
- Broker-dealer's willingness to take financial risk on the execution of large block orders;
- Broker-dealer's integrity (e.g., the ability to maintain confidentiality);
- Quality of the communication links between the broker-dealer and RPAM;
- Adequacy of the information provided to us by the broker-dealer
- Consideration of why trading is not being placed on electronic communication networks; and
- Value of execution services provided.

When purchasing or selling over-the-counter securities with market makers, RPAM also generally seeks to select market makers that it believes to be actively and effectively trading the security being purchased or sold.

## **Research and Other Soft Dollar Benefits**

RPAM does not have any commitments or understandings to trade with specific brokers or to generate a specified level of brokerage commission with a particular broker nor does it currently engage in any soft dollar arrangements. Nonetheless, certain brokers through whom RPAM executes trades may provide unsolicited proprietary research (research created or developed by the broker) to us. This research is used for all client accounts, even though certain clients may not have paid direct commissions to the broker who provided the research. This research could provide a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections. In addition to unsolicited research, certain brokers may provide invitations to attend conferences and meetings with management representatives of issuers or with other analysts and specialists.

Receipt of research from brokers who execute client trades involves conflicts of interest. An adviser that obtains research, products or services receives a benefit, because it does not have to produce or pay for the research, products or services itself. Consequently, the adviser may have an incentive to select or recommend a broker based on its desire to receive research, products or services rather than a desire to obtain the most favorable execution, which is in the client's best interest.

Brokers providing research services, even on an unsolicited basis, may charge commissions for executing portfolio transactions that are higher than the amount of commissions that other brokers would charge for effecting the same transactions. RPAM will execute client transactions through these brokers only if it has determined that such brokers provide best execution based on the factors above under Broker Selection and Best Execution.

## **Directed Brokerage & Aggregated Trades**

RPAM permits clients to direct brokerage. A client may instruct RPAM, through written instructions or through an instruction in its advisory agreement, to direct its transactions to a specified broker or dealer. Portfolio managers maintain a current list of those clients who have requested directed brokerage. All trades for client accounts that have directed brokerage will be effected through the specified broker or dealer. Clients who request directed trades may pay higher brokerage commissions because we may not be able to

aggregate orders to reduce transaction costs, and may also receive less favorable prices and execution.

To the extent permitted by law, RPAM may aggregate the client's orders with those of its other clients. We will not effect securities transactions for the client's investment account through broker-dealers that are deemed to be affiliated with RPAM.

RPAM allocates securities it has purchased to eligible client accounts on a pro rata basis based on current demand. Securities are allocated in marketable parcels; all client accounts may be allocated their proportionate share of the aggregate demand as long as such shares result in a marketable parcel, or round lot.

### **Item 13: Review of Accounts**

Portfolio managers perform a periodic review of client accounts. Such periodic reviews address relevant market conditions, account risk profiles, account investment guidelines, and credit analyses, among other things. It is currently anticipated that no portfolio manager will be assigned more than ten (10) client accounts.

RPAM provides advisory clients with written quarterly reports that set forth the quarterly, year-to-date, and since-inception performance of the client account, an explanation of account performance and any transactions in the account during the quarter, a market overview, a surveillance review and a statement of account.

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

RPAM does not receive an economic benefit from anyone other than its clients.

RPAM may enter into agreements with broker-dealers or investment advisers for client referrals. These agreements are referred to as solicitor agreements. RPAM pays a percentage of the management fee collected from the referred client to a referring broker-dealer or investment adviser. Clients under these agreements will not be charged fees higher than the standard fees described in Item 5. RPAM currently has no solicitor agreements in place.

**Item 15: Custody**

This section is inapplicable.

**Item 16: Investment Discretion**

RPAM usually receives discretionary authority to manage securities account on behalf of a client at the outset of an advisory relationship when RPAM enters into a written investment advisory agreement with a client. The written investment advisory agreement sets forth RPAM's authority to enter into securities transactions on behalf of the client. RPAM works with each client in establishing the appropriate investment strategy and investment guidelines for such client. RPAM's discretionary authority is exercised in a manner consistent with the stated investment objectives for the particular client account.

**Item 17: Voting Client Securities**

RPAM allows clients to vote the proxies in their account; however, RPAM typically accepts authority to vote proxies for our client accounts. RPAM maintains a proxy voting policy regarding the voting of proxies for portfolio securities of discretionary advisory clients. Clients may request a copy of the proxy voting policy, without charge, by writing to RPAM. A client also may, at reasonable intervals, request information regarding how RPAM voted proxies for such client's portfolio securities, without charge, by writing to RPAM.

In the absence of specific voting guidelines received in writing from the client, Six50 generally will vote in accordance with the recommendations of the issuer's management with respect to routine matters, unless, in the opinion of the portfolio manager, such recommendations are not in the best interest of clients, in which case RPAM will vote in accordance with the client's best interests, as determined by the portfolio manager. In the case of any non-routine matter, RPAM will vote in accordance with the client's best interests, as determined by the portfolio manager.

In the case of any conflict of interest between RPAM and a client with respect to proxy voting, RPAM's Chief Compliance Officer may engage an independent third-party to determine how the proxy should be voted, or may establish an ethical wall or other informational barrier between the persons that are involved in the potential conflict and the persons making the voting decision in order to insulate the potential conflict from the decision maker.

**Item 18: Financial Information**

This section is inapplicable.

**Item 19: Requirements for State-Registered Advisers**

This Item is not applicable to RPAM.