



# Echo Point Investment Management, LLC

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This Brochure provides information about the qualifications and business practices of Echo Point Investment Management, LLC ("Echo Point"). If you have any questions about the contents of this Brochure, please contact us at 610-234-4203 or [Stephen.wellman@EchoPointIM.com](mailto:Stephen.wellman@EchoPointIM.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Echo Point is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Echo Point also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This Brochure has been prepared in accordance with the SEC's rules. This section of the Brochure will discuss specific material changes that have been made to our Brochure since the last annual update to our Brochure.

Pursuant to SEC rules, we will send clients a summary of any material changes to this and subsequent Brochures within 120 days of the close of the fiscal year end of our business or sooner if any material change warrants more immediate disclosure. Any new Brochure will be provided to you without charge.

You may request a copy of our Brochure by contacting Stephen M. Wellman, Chief Compliance Officer, at 610-234-4212 or [stephen.wellman@EchoPointIM.com](mailto:stephen.wellman@EchoPointIM.com). Additional information about Echo Point is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Date of last annual update to our Brochure: March 22, 2013

### Material Changes made to this Brochure

The Risk of Loss (page 8) and Financial Information (page 33) sections of this brochure have been updated with the following information.

Effective November 8, 2013, the Echo Point Board of Managers has approved a plan to close the company, which will result in a winding down of the business, including dissolution, liquidation and/or restructuring of the company. Echo Point has provided all clients with notification of termination of all investment management agreements. Termination dates will vary by client with the latest anticipated to occur no later than January 31, 2014. Echo Point is committed to a smooth transition of client portfolios, and intends to employ necessary resources to fulfill our fiduciary responsibility to clients. However the cessation of operations presents clients with several unique risks.

- Although retention arrangements have been offered to portfolio managers and other key employees, there is a risk that Echo Point may not be able to retain key personnel necessary to manage client portfolios.
- Unless clients instruct Echo Point to transfer assets in kind, we will begin liquidating client accounts as necessary, increasing cash allocations and decreasing equity allocations, in order that all trades will be settled in advance of the termination dates.

- Certain Echo Point employees are investors in a commingled vehicle sponsored by the company. The fund will be liquidated on or about December 31, 2013. While Echo Point will seek best execution on all trades, the timing of redemption requests by clients may differ which may affect the amount of redemption proceeds. As a result the employee investors may realize performance greater than that of Echo Point clients based on such timing differences.

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[Brochure Supplement](#)

## Advisory Business

Echo Point was organized in May 2010 as a direct, majority owned subsidiary of Boston-based Old Mutual (US) Holdings Inc. which, in turn, is a wholly owned subsidiary of Old Mutual plc. Old Mutual plc is a public company traded on the London Stock Exchange. Certain Echo Point employees have an equity interest in Echo Point through an interest in a Key-Employee Owned Limited Partnership ("KELP"). As disclosed in ADV Part 1: the KELP is a Direct Owner of between 10% and less than 25% of Echo Point; and OM(US)H is a Direct Owner of 75% or more of Echo Point. In March 2010 OM(US)H announced it was exploring an initial public offering, which is not expected to change the KELP ownership.

Echo Point is based in West Conshohocken, Pennsylvania. Echo Point's international equity investment team commenced investment operations effective October 1, 2010. Echo Point primarily focuses on equity investments in international securities, including securities in emerging and developed markets, and may include a variety of equity derivative instruments traded on global exchanges, including the United States, to meet the investment needs of its client portfolios. Echo Point may tailor its advisory services to meet individual client needs. For example, Echo Point may accept a client which limits or prohibits investments in certain regions or sectors or places limits on cash levels or exposure to certain security classes. Echo Point may decline an advisory client if it determines that the totality of client-imposed restrictions would significantly interfere with Echo Point's ability to implement a suitable investment program.

Echo Point generally provides portfolio management services to institutionally-oriented clients, including: corporate pension and profit-sharing plans, Taft-Hartley plans, public retirement plans, U.S. registered mutual funds, non-U.S. investment companies, pooled investment vehicles, municipalities, charitable institutions, foundations, endowments, trust programs, and other U.S. and non-U.S. domiciled institutions.

Advisory services may include, but not necessarily be limited to, security recommendations provided to model account programs (e.g. Unified Managed Account (UMA) programs), wrap programs and fully discretionary investment management. To the extent reasonably practicable, model account programs and wrap programs will be provided security recommendations simultaneously with the release of trade orders for Echo Point's separately managed accounts. Model account program and wrap account program trade orders are independently executed by the respective program sponsor and may be actively managed at the same time as Echo Point trade orders. The sponsor of wrap programs and model account programs pays a portion of the wrap fees to Echo Point for its services. An investment advisory agreement may be terminated by a client without penalty, with prior

written notice (the exact notice period depends upon the terms of the client's investment advisory agreement).

As of March 2013, Echo Point managed approximately \$1,680,000,000 of discretionary assets. Echo Point continues to seek to diversify its client base. Non-discretionary accounts, such as those under UMA programs, are excluded from Echo Point's discretionary assets under management.

## **Fees and Compensation**

The specific manner in which fees are charged by Echo Point is established in a client's written agreement with Echo Point. Echo Point generally will bill its fees on a quarterly basis. Clients may elect to be billed in advance or in arrears each calendar quarter. Clients also may elect to be billed directly for fees or may authorize Echo Point to debit fees directly from client accounts. Management fees generally will be calculated as agreed upon with each client. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees promptly will be refunded, and any earned, unpaid fees will be due and payable.

Echo Point's fees for advisory services may be negotiable depending on particular requirements and circumstances of the account(s). Certain clients with pre-existing relationships may pay lower fees. Echo Point reserves the right to waive the management fee on employee or other related/similar accounts.

Echo Point's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Echo Point may invest client assets in mutual funds or exchange traded funds ("ETF"). Mutual funds and ETFs also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Echo Point's fee, and Echo Point shall not receive any portion of these commissions, fees, and costs.

Certain of Echo Point's employees receive incentive compensation in recognition of their efforts to secure clients for Echo Point. This practice presents a conflict of interest and gives Echo Point employees an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Echo Point seeks to manage this conflict by requiring an internal review of written investment management agreements prior to an account's inception to ensure suitability under the circumstances. Clients also have the option to purchase competing investment products at potentially lower cost through other investment managers who are not affiliated with Echo Point.

The Brokerage Practices section further describes the factors that Echo Point considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Below is Echo Point's standard fee schedule shown as an annual percentage of assets under management (effective January 1, 2013). Fee schedules will vary depending on the strategy and size of an account and are subject to change.

0.68% on the first U.S. \$25 million of assets under management

0.63% on the next U.S. \$25 million of assets under management

0.59% on the next U.S. \$25 million of assets under management

0.54% on assets in excess of U.S. \$75 million

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

### **Performance-Based Fees**

Echo Point has entered into performance fee arrangements with certain qualified clients. Such fees are subject to individualized negotiation with each such client. Echo Point will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Echo Point shall include realized and unrealized capital gains and losses. To the extent performance targets are realized, compensation may be higher than it otherwise would be. Echo Point may receive increased compensation from unrealized appreciation as well as realized gains.

Performance based fee arrangements may create an incentive for Echo Point to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Echo Point has procedures designed and implemented to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients. Please see the following section on Side-by-Side Management for a further discussion of how this conflict is managed by Echo Point.

## **Side-by-Side Management**

Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one client account. The management of multiple accounts may result in a portfolio manager devoting unequal time and attention to the management of each account. A potential for conflict exists to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent in the following situations:

1. Different Fee Rates - when one portfolio has a higher fee than another portfolio, including a performance-based fee,
2. Proprietary Seed Capital - when Echo Point manages proprietary seed capital accounts funded by Echo Point or its affiliates; or
3. Employee Investments - when Echo Point employees have invested personal funds in an account managed by Echo Point.

Management fees are not typically charged for proprietary seed capital accounts or employee investments.

Echo Point has an incentive to direct profitable trades, or otherwise grant preferential treatment, in these three situations to the disadvantage of client accounts. Echo Point has adopted Policies to Address Side-by-Side Management to address this conflict. The Policies include the following procedures:

- The investment team discusses proposed additions, removals, or weight changes of particular securities to determine whether such recommendations should be applied to other strategies.
- Our Trading Policies require that orders of the same security submitted to the trading desk on the same day shall generally be allocated at the average price realized across all accounts.
- The investment team generally may not “short” a security held “long” in any other client’s portfolio or vice versa.
- The investment team reviews position weights across strategies on a weekly basis, to reaffirm any differences across strategies.



The Compliance Department will analyze patterns of trading among various client accounts managed by Echo Point to ensure the allocation of investment opportunities is equitable, and that there is no intentional or unintentional favorable treatment of any one client.

Collectively, these practices have been designed to ensure that buy and sell opportunities are allocated fairly among clients and that, over time, all clients are treated equitably.

Fair treatment does not necessarily mean identical treatment. Differences in a client's objectives, guidelines and risk tolerance and the particular management needs of that portfolio (e.g. cash flows) may result in significantly different performance across portfolios. Echo Point generally does not expect portfolios to be managed identically. Not every investment decision will be appropriate for every strategy or specific account and investment decisions for one strategy or specific account may be opposite of investment decisions for another strategy or specific account.

## Types of Clients

Echo Point generally provides portfolio management services to institutionally-oriented clients, including: corporate pension and profit-sharing plans, Taft-Hartley plans, public retirement plans, registered mutual funds, commingled investment funds, municipalities, charitable institutions, foundations, endowments, trust programs, foreign mutual funds, family offices, other advisers, and other U.S. and international institutions.

Echo Point provides non-discretionary investment research and consultative services, including model account recommendations, to UMA program clients. UMA programs are unified accounts that combine various investment types, such as separately-managed accounts, mutual funds, individual securities, exchange-traded funds, and other investment products managed by various unaffiliated managers into a single account for investors. UMA accountholders should look to the sponsor of each UMA program for details regarding the program, including fees charged under the UMA program. Echo Point generally does not have discretion to execute trades in UMA accounts. Sponsors of the UMA programs determine the program fee paid by an accountholder to the UMA. The UMA program then pays a portion of the program fee directly to Echo Point for each accountholder.

Echo Point considers each new prospective client on an individual basis. Generally, Echo Point requires a minimum asset value of twenty million dollars to start and maintain a new separate account, and a minimum initial investment of five million dollars to invest in a pooled investment vehicle. Exceptions will be considered on a case-by-case basis. Minimum asset levels generally do not apply for model account program clients.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

Echo Point applies a combination of quantitative screens, fundamental analysis, portfolio construction rules, risk management and performance attribution analysis.

The universe of international equities consists of approximately 30,000 stocks. We apply a minimum market capitalization and a minimum average daily traded value for each stock in order to have confidence that we can invest in securities and divest holdings within a reasonable time frame.

We apply quantitative screens to provide an initial indication of which stocks have, compared to their sector, relatively strong earnings momentum and relatively attractive valuations. For new investment ideas, the investment team generally performs fundamental analysis on those stocks that are amongst the top quintile ranked in a combined score on the aforementioned screens.

The fundamental analysis focuses on potential competitive advantages of a company, the strength of its balance sheet, its market position, its track record and business strategy for future growth, and the valuation of the stock relative to its own history and its peers.

In managing client portfolios, the team uses a well-defined set of portfolio construction rules. Echo Point also uses a risk management program to identify and adjust the risk characteristics of client portfolios.

Weekly performance attribution analysis helps identify sources of alpha and individual underperformers, which will be evaluated in weekly investment team meetings.

### **Investment Strategies**

Echo Point is an international equity manager, and offers the following strategies:

- The International Equity Strategy seeks long-term capital appreciation by pursuing opportunities in mid-to-large-capitalization international securities in non-U.S. equity markets, including emerging markets. The composite was created in September 1995, and is benchmarked to the MSCI EAFE (Net) Index.
- The International Equity Developed Markets Strategy seeks long-term capital appreciation by pursuing opportunities in mid-to-large-capitalization international

securities in non-U.S. equity markets excluding emerging markets. The Composite was created in April 2009 and is benchmarked to the MSCI EAFE (Net) Index.

- The International Equity ADR Strategy seeks long-term capital appreciation by pursuing opportunities in mid-to-large-capitalization international securities in non-U.S. equity markets, including emerging markets, primarily by investing in ADRs. The Composite was created in July 2005 and is benchmarked to the MSCI EAFE (Net) Index.
- The International Equity ACWI ex-US Strategy seeks long-term capital appreciation by pursuing opportunities in mid-to-large-capitalization international securities in non- U.S. equity markets, including emerging markets. The composite was created in January 2012, and is benchmarked to the MSCI All Country World ex-United States Net Index (MSCI ACWI ex-US (Net) Index).

Each of these strategies holds a limited number of securities across a wide range of industries and sectors. The allocation to any one sector is maintained within a predefined range around the relevant index. Similarly, regional allocations also are kept within a predefined range around the relevant index.

Additional strategies may be developed and implemented to meet unique client needs. Echo Point historically has not undertaken currency hedging in any strategy, but may elect to do so.

Echo Point may purchase, on behalf of its clients, ETFs in order to maintain full exposure to the broad equity market or to specific market segments, particularly in circumstances in which a client guideline restricts direct investment in a specific security, industry or region. ETF fees and expenses are not deducted from the fee paid by a client to Echo Point.

Echo Point may invest in unlisted emerging country equity securities, including investments in securities which are privately placed or sold pursuant to Rule 144A or Regulation S. Because there may not be any trading market for certain of these investments, it may take longer to liquidate these positions than would be the case for publicly traded securities. Although such securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than what was paid for the securities. Furthermore, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements which may be applicable to publicly traded securities.

## **Risk of Loss**

Investing in securities, including portfolios constructed by Echo Point, involves risk of loss that clients should be prepared to bear.

As with any securities portfolio, each of Echo Point's investment strategies is subject to various risks and uncertainties, and there are no guarantees that any client will achieve its investment objective to outperform its benchmark. Furthermore, past performance of an Echo Point investment strategy is not a guarantee of future results. Actual results could differ materially from expectations. The material risks that could adversely affect Echo Point's investment strategy or method of analysis are noted below.

Echo Point may serve as adviser or sub-adviser to certain commingled products. Further information relating to risk factors unique to these products is available in the related offering documents.

## ***Business Closure Risks***

Effective November 8, 2013, the Echo Point Board of Managers has approved a plan to close the company, which will result in a winding down of the business, including dissolution, liquidation and/or restructuring of the company. Echo Point has provided all clients with notification of termination of all investment management agreements. Termination dates will vary by client with the latest anticipated to occur no later than January 31, 2014. Echo Point is committed to a smooth transition of client portfolios, and intends to employ necessary resources to fulfill our fiduciary responsibility to clients. However the cessation of operations presents clients with several unique risks.

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### ***Equity Securities Risk***

Echo Point investment strategies invest primarily in equity securities. As with any investment in equity securities, the value of a client account invested in an Echo Point investment strategy and the related investment performance are subject to the possibility that the client account will experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect the securities markets generally, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. A client account may also lose value because of factors affecting an entire region, industry or sector, such as natural disasters, increases in production costs, or factors directly related to a specific company, such as decisions made by its management.

### ***Non-U.S. Securities Risk***

Echo Point investment strategies invest primarily in non-U.S. securities. Investments will include: local shares, depositary receipts, participation notes, warrants, and other derivative instruments. Foreign securities markets generally are not as developed or efficient as those in the U.S. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers.

Securities usually are held outside the U.S. , which present additional risks including: possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect the value of securities and payment of any related dividend income on the foreign securities or restrict the payment of sales proceeds or dividend income to investors located outside the country of the issuer, whether from currency blockage or otherwise. Less information may be available regarding securities of such issuers, and such issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of issuers from the U.S.

### ***Emerging Markets Investments Risk***

Echo Point investment strategies invest in emerging markets securities. Emerging markets securities are subject to the same risks as non-U.S. securities, described above. Generally, these risks are more severe for issuers in countries with emerging capital markets.

The economies of individual emerging countries may differ favorably or unfavorably from the U.S. and other developed markets in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Furthermore, the economies of developing countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. With respect to any emerging country, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries and/or the value of investments in those countries. In addition, it may be difficult to obtain and enforce a judgment in a court outside of the U.S.

Transaction costs of investing in emerging market securities markets generally are higher than those in developed markets. Certain emerging markets countries may also impose fees on currency transactions, which further increases the cost to invest in those markets. Emerging markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect investment performance.

Prior governmental approval for foreign investment may be required under certain circumstances in some emerging countries, and the extent of foreign investment in domestic companies may be subject to limitation in other emerging countries. As a result a client may be prevented from reaching targeted weights in certain emerging markets securities.

### ***Capitalization Risk***

Echo Point investment strategies typically target mid-to-large capitalization stocks with a market capitalization in excess of U.S. \$1 billion at the time of investment. The securities of companies with medium capitalizations may involve greater investment risks than securities of companies with large capitalizations and may result in losses to client accounts. Medium capitalization companies may have an unproven or narrow technological base and limited product lines, distribution channels and market and financial resources, and may be dependent on entrepreneurial management, making the companies more susceptible to certain setbacks and reversals. As a result, the securities of

medium capitalization companies may be subject to more abrupt or erratic price movements than securities of larger companies, may have limited marketability, and may be less liquid than securities of companies with larger capitalizations. Foreign companies with large capitalizations may be relatively small by U.S. standards and may be subject to risks that are similar to the risks that may affect small or medium capitalization U.S. companies.

### ***Management Techniques Risk***

The investment strategies, techniques and risk analyses employed by Echo Point, while designed to enhance potential returns, may not produce the desired results. Echo Point may be incorrect in its assessments of the values of securities or its assessment of market trends, which can result in losses to client accounts. There is no guarantee that the investment techniques and risk analyses used by the portfolio managers will produce the desired results.

### ***Currency Risks***

Client accounts typically are managed in U.S. dollars. Echo Point client accounts may be domiciled in countries other than the U.S. (e.g. Canada), and will incur costs in connection with conversions between the client's local currency and the U.S. dollar. Echo Point invests client assets in instruments denominated in currencies other than the U.S. dollar. The price of these instruments is determined with reference to currencies other than the U.S. dollar. If a client portfolio is un-hedged (Hedging Risk is separately described below), the value of a client's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of a client's investments in the various local markets and currencies. Thus, a client portfolio may experience fluctuation in value and performance due to increases and decreases in the value of the U.S. dollar.

A client will also incur costs in connection with conversions between various currencies. Echo Point routinely conducts foreign currency exchange transactions for its clients on a spot (i.e., cash) basis to settle security purchases and sales. Such transactions are typically executed at the spot rate prevailing in the foreign currency exchange market. Realized gains on security sales may be reduced or eliminated by the currency return over the holding period. Similarly, realized losses on security sales may be magnified when factoring in the currency return over the holding period.

Echo Point routinely provides custodian banks with standing instruction to conduct foreign currency exchange transactions to repatriate other foreign balances to U.S. Dollars (typically from dividend income). Such transactions are typically executed at a rate determined by the custodian bank, which may be inferior to rates negotiated in the foreign currency exchange market. Echo Point has found custodian standing instruction appropriate for these inherently small-dollar transactions. Echo Point monitors foreign currency exchange transactions for best execution, and has engaged an independent third party to review the quality of foreign currency exchange transactions. This practice ensures that all cash is efficiently repatriated back to US Dollars, the base currency used to manage client accounts, and ensures the investment team has maximum US dollars to facilitate the execution of trade orders.

### ***Market and Economic Conditions Risk***

Echo Point invests in global markets outside of the U.S. Markets in which the investment strategy may invest are subject to fluctuations. The market value of any particular investment may be subject to substantial variation. Securities may be thinly traded or may cease to be traded after an investment is made in them. In addition to being relatively illiquid, such instruments may be issued by unstable or unseasoned issuers or may be highly speculative. No assurance can be given that the investment strategy's investment objective will be successful or that the investment strategy's investments will appreciate in value.

The investment strategy will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, change in laws, trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of a client's investments. Volatility or illiquidity could impair a client's profitability or result in losses. In addition, volatile markets and credit risk may give rise to the risk of default by one or more large financial institutions that are dependent upon one another for liquidity and operational needs. A default by one such institution may cause a series of defaults by others, including counterparties, the brokers and other institutions to which an investment strategy has exposure, which could in turn adversely affect client accounts.

### ***Political and Economic Risk***



The political, legal, economic and social structures of certain foreign countries may be less stable and more volatile than those in the U.S. Investments in these countries may be subject to the risks of internal and external conflicts and currency devaluations. This could impair a client's profitability or result in losses.

### ***Illiquidity Risk***

Echo Point may invest a portion of its client assets in non-publicly traded securities. Echo Point may not be able to readily dispose of such non-publicly traded securities. Where appropriate, positions in client accounts that are not publicly traded will be marked to market by Echo Point, taking into account actual market prices, market prices of comparable investments and/or such other factors as Echo Point deems appropriate. An investment may be carried at fair value, as reasonably determined by Echo Point. There is no guarantee that fair value will represent the value that will be realized by a client account on the eventual disposition of the investment. As a result, an investor withdrawing from the investment strategy prior to realization of such an investment may not fully participate in gains or losses.

### ***Derivatives***

Echo Point may purchase derivative instruments for client accounts. Derivative instruments may include, but are not necessarily limited to the following instruments:

- Equity Linked Notes ("ELNs"). The principal or coupon payment on an ELN is linked to the performance of an underlying security or index. Common examples of ELNs include, but are not limited to: warrants, participation notes, and equity certificates. ELNs may be used, among other things, to provide a client account with exposure to international markets while providing a mechanism to reduce foreign tax or regulatory restrictions imposed on foreign investors.

The risks associated with purchasing ELNs include the creditworthiness of the issuer and the risk of counterparty default. Further, Echo Point's ability to dispose of an ELN will depend on the availability of liquid markets in the instruments. The purchase and sale of an ELN is also subject to the risks regarding adverse market movements, possible intervention by governmental authorities, and the effects of other political and economic events.

- **Options.** Options are contracts that give the purchasing party the right to buy or sell the security that is subject to the option at a stated price during the option period and obligates the selling party to buy or sell such security at the stated price during the option period. The types of options transactions that Echo Point may utilize include, but are not necessarily limited to: writing call and put options, purchasing call and put options, options on futures, and forward foreign currency exchange contracts.
- **Futures Contracts.** A futures contract is a bilateral agreement to buy or sell a security (or deliver a cash settlement price) for a set price in the future. If the price of an open futures contract changes so that the loss on the futures contract reaches a point at which the margin on deposit does not satisfy margin requirements, the broker will require an increase in the margin.

While transactions in options and futures may reduce certain risks, these transactions themselves entail certain other risks. For example, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance of a client account than if it had not entered into any derivatives transactions. Derivatives may magnify a client account's gains or losses, causing it to make or lose substantially more than it invested. Purchasing derivatives could expose a client account to greater risks and the possibility of losses.

A derivatives instrument may become illiquid (i.e., difficult to sell at a desired time and price) under a variety of market conditions. For example,

- an exchange may suspend or limit trading in a particular derivative instrument, an entire category of derivatives or all derivatives, which sometimes occurs because of increased market volatility;
- unusual or unforeseen circumstances may interrupt normal operations of an exchange;
- the facilities of the exchange may not be adequate to handle current trading volume;
- equipment failures, government intervention, insolvency of a brokerage firm, or clearing house or other occurrences may disrupt normal trading activity; or
- investors may lose interest in a particular derivative or category of derivatives.

Although Echo Point intends to purchase derivative instruments only where there appears to be an active market, there is no guarantee that such a liquid market will exist. If there is

no secondary market for the derivative, or the market is illiquid, a client account may not be able to close out its position. In an illiquid market, a client account may:

- have to sell securities to meet its daily margin requirements at a time when it is disadvantageous to do so;
- have to purchase or sell the instrument underlying the derivative instrument; and
- not be able to realize profits or limit its losses.

### ***Hedging Risk***

Hedging instruments may be used to protect against possible changes in the market value of a client's investment portfolio resulting from fluctuations in the securities markets and changes in foreign exchange or interest rates. Echo Point has not historically undertaken currency hedging in any strategy, but may elect to do so.

Echo Point's use of hedging transactions is typically limited to the establishment of a security position as a substitute for other recommended securities. For example, an ETF may be purchased for a client account where the client guidelines prohibit investment in a recommended security. The performance of the substitute security will be different than the recommended security, and may not closely correlate to the performance of the recommended security. As a result, client investment performance for accounts with substitute securities may vary from other Echo Point client accounts.

Echo Point may also utilize a variety of other financial hedging instruments for investment or risk management purposes. While Echo Point may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a client account than if it had not engaged in such hedging transactions. The counterparties with which Echo Point effects hedging transactions may, from time to time, cease making markets or quoting prices in certain of the hedging instruments. In such instances, Echo Point may be unable to enter into a desired hedging transaction or currency transaction, or to enter into an offsetting transaction with respect to an open position, which might adversely affect a client's performance.

### ***Default Risk***

Cash balances typically are managed by a client's custodian bank. Echo Point may invest client cash balances in certain situations. Echo Point may hold cash; invest in short-term

debt securities or in other money market instruments for defensive purposes or in order to earn a return on available cash balances pending investment or reinvestment or in anticipation of redemptions.

Money market instruments may include repurchase agreements with domestic or non-U.S. dealers, banks or other financial institutions that Echo Point believes are creditworthy. A repurchase agreement is an instrument through which Echo Point purchases a security from a bank or broker-dealer, and the bank or broker-dealer agrees to repurchase the security at its cost plus interest within a specified time. If the party agreeing to repurchase should default, Echo Point will seek to sell the securities it holds that otherwise would have been repurchased. This could involve procedural costs or delays in addition to losses on the securities if their values should fall below their repurchase prices.

### ***Non-Diversification Risk***

Echo Point constructs client portfolios using a limited number of securities with varying weights. Client portfolios typically hold fewer than 80 names. The price of any security held in a client account may decrease and Echo Point may be unable to liquidate its position quickly or at a relatively advantageous price. As a result, losses incurred in any one security could adversely affect a client's performance to a greater degree than if a client had been invested in a more diversified portfolio.

### ***Portfolio Turnover Risk***

Echo Point's primary strategies typically do not involve frequent trading of securities; however, security trading will occur to continually manage a client account. Depending on market and other conditions, the investment strategy may experience high portfolio turnover, which may result in higher brokerage commissions and transaction costs, which could reduce client investment returns, and capital gains.

## **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Echo Point or the integrity of Echo Point's management. Echo Point has no reportable disciplinary

information. Echo Point currently is not involved in any litigation, formal investigation or administrative proceedings.

## **Other Financial Industry Activities and Affiliations**

Old Mutual (US) Holdings Inc., parent of Echo Point, is an indirect subsidiary of Old Mutual plc, a UK-based global financial services company which includes an insurance company and banking affiliates.

Echo Point performs investment advisory services as a subadviser to pooled investment vehicles, such as U.S. registered mutual funds, non-U.S. investment companies, and commingled investment funds.

Echo Point may serve as the investment adviser to pooled investment vehicles created to accommodate clients whose investable assets are less than established separate account minimums. These pooled vehicles may include seed capital of Echo Point or its affiliates, as well as investments by Echo Point employees. Echo Point currently has launched one such fund, which includes employee investments, and has an affiliate (OMAM TC Holding Company) as the fund's managing member. Echo Point receives an investment management fee from this fund, as agreed between Echo Point and each fund investor. The operating fees and expenses of the fund, including a fund management fee payable to the affiliated managing member, will be accrued and paid out of the assets of the Fund. Complete terms of the offering are included in the offering documents.

Echo Point has an affiliation with a FINRA registered broker/dealer, Old Mutual Investment Partners ("OMIP"). OMIP is located at 200 Clarendon Street, 53rd Floor, Boston, MA 02116. As a limited capacity broker-dealer, OMIP holds the securities licenses for several of Echo Point's associates.

## **Code of Ethics**

Echo Point has a Code of Ethics (the "Code") to govern the personal investment activities of its personnel. Echo Point's Code complies with SEC Rules and has been designed to follow industry best practices. All employees receive annual training and certify their understating of the provisions contained in our Code of Ethics. Employees and their

related persons must: pre-clear personal security transactions, satisfy minimum holding periods and report holdings and transactions. Access Persons may not acquire any security in an initial public offering. Insider trading is prohibited, and a fraud hotline exists. There are restrictions on outside business activities, including board participation and other employment. Employees must report all gifts received. Gifts received are limited to \$100 in retail value annually.

Exceptions to certain restrictions imposed by the Code on Echo Point personnel may be made on a case-by-case basis by a designated officer. Echo Point will provide a copy of the Code to any client or prospective client upon request.

Generally, Echo Point and/or its related persons may recommend to clients that they buy or sell interests in the same investment products in which Echo Point or its related persons have a financial interest, including ownership, and Echo Point and/or its related persons may own, buy or sell for themselves the same securities that they may have recommended to clients. Echo Point's policies and procedures are intended to identify these and other potential conflicts and to assure that in all instances client interests come first.

Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Further, Echo Point may buy or sell securities for client accounts at or about the same time that Echo Point employees buy or sell the same securities for their personal accounts. This creates a conflict for certain Echo Point employees to place or withhold client trade orders so that the Echo Point employees obtain more favorable prices for their personal accounts.

Employee trading is monitored on a regular basis under the Code to reasonably prevent and detect conflicts of interest between Echo Point and its clients. All employees receive annual training and certify their understanding of the provisions contained in the Code. Employees and their related persons must: pre-clear personal security transactions, satisfy minimum holding periods, and report holdings and transactions.

Echo Point reviews compliance issues throughout the business of Echo Point and endeavors to develop solutions to those issues as they may arise from time to time. The Chief Compliance Officer generally oversees implementation of those solutions. Echo Point strives to ensure that its policies, procedures, and controls are in the best interests of each client and that client assets are managed for the benefit of each client.

## Brokerage Practices

### **Brokerage Allocation Practices**

Echo Point has established a Brokerage Committee. This Committee is responsible for overseeing the investment and trade management process at Echo Point in an effort to ensure that the process seeks to place orders in ways that, given all relevant circumstances, will maximize the value of the investment decisions made for clients or will minimize the costs to clients of implementing these investment decisions. This Committee meets periodically to review policies, procedures, reports, and controls as deemed necessary to achieve its objective.

Echo Point places orders for the purchase and sale of portfolio securities. Echo Point directs client trade orders to broker-dealers which have been approved by the Brokerage Committee. Trade orders are typically routed to and executed by a limited number of unaffiliated global broker-dealer organizations. Echo Point monitors these unaffiliated broker-dealers to ensure they source all major markets and centers of liquidity and appropriately manage order flow.

Broker-dealers are considered for execution of transactions primarily based on the broker-dealers' ability to provide best execution. Best execution is comprised of several factors including, but not necessarily limited to, the price paid or received for a security, the associated foreign exchange rate, the commission charged, security settlement, market access, trade volume, the promptness and reliability of execution, the confidentiality and placement accorded the order and other factors affecting the overall benefit obtained. Echo Point weighs all such factors in selecting broker-dealers that will deliver best execution in the long term best interests of its clients. Echo Point does not obligate itself to seek the lowest commission cost on each individual transaction and may cause a client to pay commission costs which may exceed the cost charged by another broker-dealer. This may occur when Echo Point determines in good faith that the commission costs are reasonable in relation to the research and/or brokerage services provided by the broker-dealer.

Echo Point has a policy of only negotiating brokerage commissions on behalf of its clients with broker-dealers known to be competitive and in line with industry practice taking into consideration factors such as account research services rendered, capital commitments involved in facilitating trades, and the overall dollar value of the trade. Trades may also be

made on a net basis. In these instances, no direct commission is charged, but there is a spread, which may be considered the equivalent of a commission.

Echo Point will generally place a combined order for two or more accounts engaged in the purchase or sale of the same security if it is believed that joint execution is in the best interest of each participant and will result in best execution. When orders are combined for accounts engaged in the same transaction, billing and clearing functions, as well as a portion of the commission, may be allocated to a broker-dealer other than the executing broker-dealer. This practice is sometimes referred to as a “step-out.” Step-outs may be used by Echo Point to satisfy client direction or soft dollar arrangements. In such instances, not all the clients that are part of the combined order may benefit from the portion of the trade that is stepped-out.

Under certain circumstances, Echo Point may facilitate cross transactions between two or more eligible accounts where one account(s) is buying the same security that another account(s) is then currently selling. Cross transactions are generally priced using the last available sales price for the security. Cross transactions will generally be conducted through the custodian or through the use of a discount broker-dealer or electronic communication network (ECN) with payment of a customary transfer fee. Echo Point believes that client accounts may benefit from participation in cross transactions because the private nature of a cross transaction minimizes any resulting market impact.

For all securities transactions executed for Echo Point’s clients, the selection of a broker-dealer is subject to the requirement that the broker-dealer shall, in the judgment of the traders, be fully qualified to execute the transaction and that the trader reasonably expects to achieve best execution. Only after a broker-dealer is deemed to be qualified and able to deliver best execution on a particular transaction, the trader may then consider selecting a broker-dealer for one of the following reasons: (1) receipt of proprietary research and services, (2) receipt of third-party soft dollar products and services and (3) satisfaction of a client’s request to direct brokerage commissions to a particular broker-dealer. Under no circumstances is the trader permitted to compensate a broker-dealer for selling mutual fund shares or for referral of client accounts by directing a portfolio transaction to that broker-dealer. The fact that a broker-dealer sells fund shares or refers client accounts does not prohibit the trader from doing business with that broker-dealer provided that the Brokerage Allocation Practices are followed.

As previously stated, Echo Point’s primary brokerage policy is to achieve best execution for its clients. Only after the trader believes that standard is met, does Echo Point look to see which of the broker-dealers that can provide best execution provide the most competitive soft dollar arrangements. In seeking to fulfill its duty of achieving best execution for its



clients, Echo Point may negotiate brokerage commissions on behalf of clients higher than those obtainable from other broker-dealers who do not provide the brokerage execution and research products and services necessary to meet this standard (commonly referred to as “paying-up”). Where more than one broker-dealer is believed to be capable of providing the best execution with respect to a particular portfolio transaction, Echo Point may select a broker-dealer which furnishes brokerage execution and research products and services, including, but not limited to: research reports; economic and financial data; access to computer databases of research data; stock screening tools; and research-orientated computer software and services.

### **Commission Sharing Arrangement (CSA) and Soft Dollar Practices**

SEC regulations provide a “safe harbor” for an adviser to pay for brokerage execution and research products and services with the commission dollars generated by account transactions. In determining whether a brokerage execution or research product or service can be paid for with soft dollars, Echo Point conducts the following analysis:

1. Verify that the product or service falls within the specific statutory limits of Section 28(e)(3) (i.e. whether it is eligible “research” under Section 28(e)(3)(A) or (B) or eligible “brokerage” under Section 28(e)(3)(C));
2. Verify the eligible product or service actually provides lawful and appropriate assistance in the performance of Echo Point’ investment decision making responsibilities. Where a product or service has a mixed use, Echo Point must make a reasonable allocation of the costs of the product according to its use; and
3. Make a good faith determination that the amount of client commissions paid is reasonable in light of the value of products or services provided by the broker dealer.

In its sole discretion, Echo Point may determine that in certain instances a mixed allocation between a soft dollar payment and payment directly by Echo Point is appropriate. There exists a conflict of interest in that Echo Point has the incentive to allocate a greater percentage to a soft dollars payment, because doing so will decrease its direct expenditures. Echo Point will make all such determinations in good faith and will document the rationale underlying the allocation decision. Mixed allocation determinations are reviewed on a periodic basis to confirm the appropriateness of the original analysis.

The brokerage execution and research products and services obtained through the use of commissions are of value to Echo Point in advising clients, although not each of the services

to be obtained in connection with particular portfolio transactions is equally useful and of value in managing the account of a given client. Nor does an account's participation in a particular portfolio transaction depend on whether or to what extent the commissions generated thereby are used to obtain services beneficial to each account so participating.

In general, and for purposes of obtaining brokerage execution and research products and services, purchases and sales of securities are generally effected on an aggregated basis by Echo Point on behalf of the accounts for which it acts as investment adviser. Except for apportioning the cost of brokerage according to an account's participation in a portfolio transaction (or related series of portfolio transactions), Echo Point does not allocate the costs or benefits of brokerage execution and research products and services obtained through use of such commissions. From time to time, Echo Point may accumulate or receive soft dollar credits with a broker-dealer which are derived from the brokerage commissions of one client or a group of clients and may be used by another client or group of clients.

Echo Point has established commission sharing arrangements with unaffiliated broker-dealer organizations which apply to nearly all Echo Point trade orders. Under the commission sharing arrangements, approximately 69 percent of brokerage commissions paid are credited to the commission sharing accounts and subsequently used to compensate unaffiliated broker-dealers for proprietary research created or developed by the broker-dealer.

The management fees paid by Echo Point clients are not reduced because Echo Point receives these services, even though Echo Point might otherwise be required to purchase some of these services for cash. As noted earlier, trade orders are typically routed to and executed by a limited number of unaffiliated global broker-dealer organizations. While Echo Point has an incentive to continue to use a broker-dealer who provides research, or has established a commission sharing account, it evaluates a broker-dealer's ability to achieve best execution on a regular basis and the reasonableness of each brokerage arrangement is evaluated on an ongoing basis under the direction of the Brokerage Committee.

Echo Point will only enter soft dollar arrangements that it views to include the types of services that principally benefit clients rather than itself. Echo Point will only enter in to mixed allocation arrangements where it believes that the arrangement provides a product or service that falls significantly within the SEC's safe harbor. Additional information concerning Echo Point's soft dollar arrangements is available upon request.

Echo Point may periodically receive research or obtain goods or services from consultants or other entities that may also provide consulting services to clients regarding investment management services. Such third parties, who Echo Point may pay using either cash and/or

client-directed brokerage commissions, may or may not refer clients or potential clients to Echo Point.

### **Client Directed Brokerage Practices**

With Echo Point's consent, clients may direct that brokerage transactions for their account be effected through a specified broker-dealer. Any such arrangements generally must be in writing. Echo Point attempts to fulfill client directed brokerage requests; however it is Echo Point's general policy not to accept client directed brokerage instructions that relate to more than 15% of the client's quarterly commissions. An exception to this policy will be model account programs and wrap account programs (trades for these accounts are generally directed to the sponsoring broker because the wrap fee includes commissions on trades). Although Echo Point attempts to satisfy client direction requests, there can be no guarantee that they will be fully satisfied.

In certain circumstances the client directed broker-dealer may not offer the lowest commission rate. This may cause the client to pay a higher rate of commission than might otherwise have been available had Echo Point been able to choose the broker-dealer to be utilized. In some instances, the services provided by the broker dealer may help offset expenses that the account would otherwise pay directly. Such arrangements are sometimes referred to as commission recapture programs.

If a client directs Echo Point to use a specific broker-dealer to execute transactions for its account, it is such client's responsibility to ensure that (1) all services provided by the designated broker-dealers: will inure solely to the benefit of the client's account and any beneficiaries of the account, are proper and permissible expenses of the account, and may properly be provided in consideration for brokerage commissions or other remuneration paid to the designated broker-dealers, (2) using the designated broker-dealers in the manner directed is in the best interests of the client's account and any beneficiaries of the account, taking into consideration the services provided by the designated broker-dealers, (3) its directions will not conflict with any obligations persons acting for the clients account may have to the account, its beneficiaries or any third-parties, including any fiduciary obligations persons acting for the account may have to obtain the most favorable price and execution for the account and its beneficiaries, and (4) persons acting for the client's account have the requisite power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations from any beneficiaries of the account and third parties that may be required under application law or instruments governing the account.

In addition, it is a directed brokerage client's responsibility to (i) consider information concerning broker-dealer's execution capabilities and pricing or other information client considers relevant; (ii) conclude that broker-dealer is capable of providing best execution of transactions for client's account; and (iii) determine that the rates for commissions, commission equivalents, mark-ups, markdowns and other fees that apply to client's account are appropriate and reasonable, for all transactions in client's account, in relation to the value of broker-dealer services received by or made available to client.

By directing a portion of a portfolio's generated brokerage commissions to a particular broker-dealer, the client acknowledges that Echo Point may not be in a position to negotiate brokerage commissions on the client's behalf with respect to transactions effected by the directed broker-dealer or to commingle or "bunch" orders for purposes of execution with orders for the same securities for other accounts managed by Echo Point. In cases where an account has instructed Echo Point to direct brokerage to a particular broker-dealer, orders for that account may be placed after brokerage orders for accounts that do not impose such restrictions.

A pension plan client may direct that brokerage transactions for its account through a specific broker-dealer in order to obtain goods and/or services on behalf of the plan. Such direction is permissible under ERISA provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business and that the allocation is consistent with Echo Point being able to obtain best execution. ERISA prohibits directed brokerage arrangements when the goods and/or services procured are not for the exclusive benefit of the plan. Accordingly, Echo Point requests that plan sponsors who direct plan brokerage provide a letter documenting that this arrangement will be for the exclusive benefit of the plan.

Directing brokerage specifically as compensation for sales of mutual funds is a violation of the Investment Company Act of 1940 (the "Investment Company Act"). Rule 12b-1(h)(2) under the Investment Company Act permits a mutual fund to use its selling broker-dealers to execute transactions in portfolio securities only if the mutual fund or its adviser has implemented policies and procedures designed to ensure that its selection of selling broker-dealers for portfolio securities transactions is not influenced by considerations about the sale of mutual fund shares.

### **Trade Allocation Practices**

Echo Point is a fiduciary to each of its clients. As a fiduciary to each client, it owes each client the duty of loyalty. No client is owed a greater or lesser degree of fiduciary loyalty

and, therefore, no client or group of clients may be given preferential treatment. The duty of loyalty and equitable treatment of client accounts is the basic principal underlying their allocation policy.

The policy and procedures outlined below have been designed to ensure that buy and sell opportunities are allocated fairly among clients and that, over time, all clients are treated equitably. This policy also seeks to ensure reasonable efficiency in executing client transactions and to provide portfolio managers with flexibility to use allocation methodologies appropriate to their investment style and client base.

Investment decisions for each client are generally made with specific reference to the individual needs and objectives of each account. Despite the independent nature of the decision making process, investment decisions frequently result in multiple accounts trading in the same security at the same time. To the extent more than one client account seeks to acquire the same security at the same time, it may not be possible to acquire a sufficiently large number of shares of the security, or Echo Point may have to pay a higher price for such security. Client accounts may not be able to participate in certain transactions if the client account is not open in the local market where a security is traded.

Similarly, clients may not be able to obtain as high a price for, or as large an execution of, an order to sell a particular security when Echo Point is acting for more than one account at the same time. Thus, it is inevitable that at times it will be desirable to acquire or dispose of the same security for more than one client in an aggregated transaction.

As a general rule, all contemporaneous client trades in the same security will be aggregated in a single order if the terms are the same. Orders will be executed in the order received. If the trader receives two or more orders for the same security with the same terms and the first order has not been filled completely, the open portions of the orders will generally be bunched. If the trader receives a buy and a sell order for the same security, typically due to cash flow needs for one client, both buy and sell orders may be placed and executed simultaneously. If Echo Point determines that placing both sides of the order will result in market disruption, orders will be executed in the order received, which may adversely affect a client's investment performance.

Broker-dealers are selected for aggregated trades based upon their ability to provide best execution including, but not limited to, the broker's abilities to effectively and efficiently execute the transaction and provide a commission rate competitive with those available from other broker-dealers. Commissions paid to broker-dealers and overall execution costs for aggregated trades will generally be equivalent to or lower than those that would prevail had the trades not been executed in an aggregated fashion.

Echo Point's clients have the ability to direct their brokerage to a specific broker-dealer. By directing a portion of a portfolio's generated brokerage commissions, the client acknowledges that Echo Point may not be in a position to negotiate brokerage commissions on the client's behalf with respect to transactions effected by the directed broker-dealer, to freely negotiate commission rates on the basis of the list price and execution, or to commingle or "bunch" orders for purposes of execution with orders for the same securities for other accounts managed by Echo Point. In cases where an account has instructed Echo Point to direct brokerage to a particular broker, orders for that account may be placed after brokerage orders for accounts that do not impose such restrictions.

All accounts participating in an order shall be recorded on an Allocation Statement. Average pricing is generally used for all accounts on the Allocation Statement. Commissions are generally shared on a pro-rata basis. Echo Point will allocate executed orders by the end of each trading day among the accounts listed on the Allocation Statement. If an order is not completely filled in one trading day, Echo Point's automated trading system will automatically allocate the executed portion of the order pro-rata. The allocation methodology will allocate partially executed transactions in a manner intended to fill accounts based on the pre-determined specifications included in the Allocation Statement (e.g. if 50% of an order is executed, then each account on the Allocation Statement will receive 50% of the quantity reserved prior to execution subject to rounding of the blocks).

Under certain circumstances, Echo Point may allocate partially executed transactions in a manner different than that described above. However, in all cases, allocations will be made in an equitable manner based on pre-determined specifications. Any instance in which shares are allocated post-execution in a manner that differs from the order as specified in the Allocation Statement, with the exception of pro-rata allocation of partially executed orders, is considered an exception to this policy and must be approved Echo Point Compliance. While it is expected that exceptions to this policy will be infrequent, an exception may be appropriate in certain circumstances. For example, a situation where only a small portion of a total order is executed on a given trading day and the allocation of such shares would not result in a meaningful contribution to the account's portfolio structure or diversification. Other situations may also warrant an exception to this policy, however, all such exceptions must be approved as previously noted. Echo Point Compliance will maintain a central file documenting any such exceptions.

### **Foreign Exchange Transactions**

Echo Point client accounts are managed in US dollars. Any non-US currency deposits in client accounts must be converted back to US dollars through FX transactions. Echo Point

is typically responsible for FX transactions for client accounts in all non-restricted markets. Alternatively, a client may hire its custodian bank to manage all FX transactions, in which case Echo Point is not involved in the FX transaction process.

When Echo Point is responsible for FX transactions, FX transactions in non-restricted currencies will generally be effected in one of two ways: as a negotiated trade by a broker-dealer counterparty, or by a client's custodian bank under a standing instruction agreement. Echo Point does not place FX trades for restricted market currencies because such markets stipulate only a custodian or their sub-custodian is allowed to place FX trades. A discussion of each type of FX transaction follows.

- **Negotiated FX Trades** - When Echo Point is responsible for FX transactions for a client account, Echo Point places orders to buy and sell non-US currencies to accommodate the settlement of non-US equity trades. In these instances Echo Point typically places the FX trade order with the broker-dealer counterparty who executed the equity trade.

The broker-dealer counterparty fees and profit are derived from the currency spreads. Such transactions are executed at current FX rates determined by the broker-dealer counterparty, which may be inferior to rates negotiated in the foreign currency exchange market. Echo Point monitors the quality of negotiated FX transactions using both internally prepared reports and FX transaction cost analysis reports prepared by an independent third party.

- **Standing Instruction FX Trades** - When Echo Point is responsible for FX transactions for a client account, Echo Point ensures any residual non-US currency deposits are converted to US dollars. Non-US currency deposits will occur from a variety of sources, including but not limited to: dividend and interest income, corporate actions, and foreign tax reclaims. Echo Point typically elects to participate in standing instruction programs offered by custodian banks to convert these non-US currency deposits to US dollars. Standing instructions are advance instructions provided to custodian banks to automatically execute these less frequent FX transactions.

The custodian banks do not charge any per-transaction fee or commission upon execution of standing instruction FX transactions. Rather the custodians price FX transactions at a rate that is a spread over quoted rates determined by the custodian

bank. The spread will vary based on whether the currency is in a developed market or non-developed market. The rates charged by custodian banks may be inferior to rates negotiated in the foreign currency exchange market. Echo Point monitors the quality of standing instruction FX transactions using FX transaction cost analysis reports prepared by an independent third party.

The FX spread for standing instruction trades is typically set by custodian banks, and will vary for each client based on the totality of the client's business dealings with the custodian bank. Echo Point may be offered standing instruction rates for its proprietary accounts which are more favorable than the rates offered to clients by their custodian banks.

- Restricted Market FX Trades - Echo Point does not place FX trades for restricted market currencies because such markets stipulate only a custodian or their sub-custodian is allowed to place FX trades. Echo Point monitors the quality of restricted market FX transactions using FX transaction cost analysis reports prepared by an independent third party.

### **Model Account Recommendation and Trade Allocation Practices**

Echo Point may also provide periodic security recommendations to certain model account programs that execute trades based upon these recommendations. To the extent reasonably practicable, model account programs will be provided security recommendations simultaneously with the release of trade orders for Echo Point's separately managed accounts. Any resulting model account trade orders will be independently managed by the model account program sponsor, and may be actively managed concurrent with Echo Point trade orders. In such instances, Echo Point and the model account programs may be competing for the same trade orders, which might adversely affect a client's investment performance. Echo Point may implement a rotation policy among its separately managed accounts and model account programs, or other programs, to ensure that buy and sell opportunities are allocated fairly among clients and that, over time, all clients are treated equitably.

### **Potential Conflicts of Interest**



Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one account. More specifically, portfolio managers who manage multiple accounts may be presented with one or more of the following potential conflicts:

- When the investment team manages more than one account, a potential for conflict exists to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent when client accounts have differing fee structures or performance-based fees, when Echo Point manages seed capital accounts; or when Echo Point employees have invested personal funds in an account managed by Echo Point. In an effort to seek to manage these conflicts, Echo Point has adopted Policies to Address Side-By-Side Management.
- If a portfolio manager identifies a limited investment opportunity which may be suitable for more than one account, an account may not be able to take full advantage of that opportunity due to an allocation of filled purchase or sale orders across all eligible accounts. To deal with these situations, Echo Point has adopted Trade Allocation Procedures for allocating portfolio transactions across multiple accounts. (see above)
- With respect to certain accounts, Echo Point may be limited by the client with respect to the selection of brokers or may be instructed to direct trades through a particular broker. In these cases, trades for an account in a particular security may be placed separately from, rather than aggregated with, such other accounts. Having separate transactions with respect to a security may temporarily affect the market price of the security or the execution of the transaction, or both, to the possible detriment of Echo Point's clients' accounts.

Echo Point has adopted certain compliance procedures which are designed to address these types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

### **Trade Errors**

In general, any losses suffered by a client as a result of a trade error caused by Echo Point will be reimbursed as soon as practicable. Unless otherwise restricted by the client, all gains realized by an account as a result of a trade error caused by Echo Point are to remain in the client's account.

## **Review of Accounts**

Client accounts are monitored regularly based on each client's investment objective and investment guidelines, the firm's investment policies, and compliance with statutory and regulatory requirements by the portfolio managers and Echo Point Compliance. Echo Point Compliance meets with the portfolio managers prior to the inception of a new account assignment and on a periodic basis to review investment and legal requirements and restrictions for managing each account assignment.

Portfolio managers and analysts monitor client accounts on a regular basis. Client accounts are monitored through Echo Point's trading system. The system has programmed rules that are monitored through daily exception reports. Accounts are monitored closely for efficient investment/liquidation when cash deposits and disbursements are made.

The investment team generally meets formally on a weekly basis to review portfolio weights, as well as the performance of each strategy for the prior week, month-to-date, quarter-to-date and year-to-date. The investment team also generally reviews portfolio risk measures on a monthly basis to ensure various risk measures for each strategy are consistent with expectations.

Echo Point Compliance reviews individual account performance on an ongoing basis and will investigate the cause of significant performance dispersion for each client account.

Client accounts generally receive written reports not less frequently than quarterly containing information regarding the performance of their account, sector classifications, yield, income, portfolio composition and value, and purchases and sales. Additional reports may be provided on a periodic or non-routine basis upon the request of a client.

## **Client Referrals and Other Compensation**

Echo Point may purchase certain services and products from investment industry consultants. Echo Point may also pay to attend investment-oriented conferences sponsored by investment industry consultants. Those same consultants may refer clients to Echo Point.

Although not currently its practice, Echo Point may determine to pay fees to third parties for client referrals, as permitted by Rule 206(4)-3 of the Investment Advisers Act of 1940. Such fees are paid by Echo Point rather than by a client. These fees typically involve Echo Point paying a portion of its investment management fee to the referring party. Echo Point

will not charge the referred client a higher fee to compensate for the fee it pays to a solicitor. A portion of employee compensation may be based on client referrals.

Please see the Fees and Compensation section of this document for a complete discussion of Echo Point's fees and compensation.

## **Custody**

Echo Point does not have custody of client funds or securities. Each client typically selects a custodian who would send account statements directly, or provide electronic access, to the client.

Echo Point serves as investment adviser for a commingled fund for which an affiliate who is under common control is the Managing Member. The fund is managed under our International Equity Strategy along with other client accounts. The fund qualifies for exclusion from the definition of investment company under section 3(c) (1) of the Investment Company Act of 1940. The affiliate is deemed under the federal securities laws to have custody of the cash and securities of the funds. Clients will receive account statements from the independent custodian, and should carefully review those statements. The funds are audited annually and copies of the audited financial statements are provided to clients. Echo Point is considering launching other similar funds for which the same affiliate will serve as Managing Member.

## **Investment Discretion**

Echo Point typically receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, applicable regulatory requirements, and Echo Point's policies and procedures. A written investment management agreement, including discretionary provisions, is required.

Investment guidelines and restrictions must be provided to Echo Point in writing. When selecting securities and determining amounts, Echo Point observes the client's investment policies, limitations and restrictions. For registered investment companies, Echo Point's

authority to trade securities also may be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Echo Point does not have investment discretion when security recommendations are provided to model account programs.

## **Voting Client Securities**

Echo Point will, at a client's request, vote proxies appurtenant to any shares held in any account over which Echo Point has investment discretion. Where the account has reserved to itself the right to vote proxies, Echo Point will not participate in any way in voting of such proxies and, with respect to accounts which are not subject to ERISA, may take instructions from the account concerning such voting. The authority to vote proxies on behalf of a client may be subject to specific guidelines established by the client. To minimize the potential for conflicts of interest, Echo Point has engaged an independent, third party to provide voting recommendations consistent with its policy.

Echo Point may be unable or may determine not to vote a proxy in certain instances. These instances include, but are not limited to: (1) situations where the underlying securities have been lent out pursuant to a client's securities lending program; (2) instances when proxy materials are not delivered in a manner that does not provide Echo Point sufficient time to analyze the proxy and make an informed decision by the voting deadline; and (3) occasions when required local-market documentation cannot be filed and approved prior to the proxy voting deadline.

Echo Point may elect to participate in a securities lending program for its proprietary pooled investment vehicles. As a result, proxies relating to securities out on loan from these proprietary pooled investment vehicles will not typically be voted.

Echo Point has adopted policies and procedures to govern the voting of proxies on behalf of its clients. In general, Echo Point's policy seeks to vote proxies in a manner that maximizes the economic value of client assets. Echo Point also has developed a Proxy Vote Watch List (the "Watch List") to ensure that material conflicts of interest or potential conflicts of interest have been identified. The Watch List summarizes public companies with whom Echo Point may have a material conflict of interest with a client in voting a proxy. A Proxy Oversight Committee ensures that any material conflict is resolved in the best interest of Echo Point's clients. Echo Point's complete Proxy Voting Policy and related procedures are

available to clients upon request. Clients also may request information regarding how proxies related to their securities were voted.

## **Financial Information**

As an SEC Registered investment adviser, Echo Point is required to provide you with certain financial information or disclosures about Echo Point's financial condition.

Effective November 8, 2013, the Echo Point Board of Managers has approved a plan to close the company, which will result in a winding down of the business, including dissolution, liquidation and/or restructuring of the company.

Echo Point has provided all clients with notification of termination of all investment management agreements. Termination dates will vary by client with the latest anticipated to occur no later than January 31, 2014.

Echo Point is committed to a smooth transition of client portfolios, and intends to employ necessary resources to fulfill our fiduciary responsibility to clients. However the cessation of operations presents clients with several unique risks.

- Although retention arrangements have been offered to portfolio managers and other key employees, there is a risk that Echo Point may not be able to retain key personnel necessary to manage client portfolios.
- Unless clients instruct Echo Point to transfer assets in kind, we will begin liquidating client accounts as necessary, increasing cash allocations and decreasing equity allocations, in order that all trades will be settled in advance of the termination dates.
- Certain Echo Point employees are investors in a commingled vehicle sponsored by the company. The fund will be liquidated on or about December 31, 2013. While Echo Point will seek best execution on all trades, the timing of redemption requests by clients may differ which may affect the amount of redemption proceeds. As a result the employee investors may realize performance greater than that of Echo Point clients based on such timing differences.

Echo Point has not been the subject of a bankruptcy proceeding.

## **Other Information**

### **Class Action Lawsuits**

Although it is generally the duty of a client's custodian, Echo Point may assist in class action settlements related to securities purchased or held in a client's account in order to attempt to recover the client's assets. Every class action suit is different, each will be addressed on an individual basis and, unless otherwise specifically agreed with a client, Echo Point may not assist in all class actions. Class action administration for Echo Point's former clients is generally handled by the client's custodian bank. Echo Point is not typically involved in assisting former clients with class action administration.

### **Privacy Notice**

Echo Point has a privacy policy to protect the nonpublic personal information that you provide to us. In order to establish and service your account, we collect personal information about you from information we receive when you establish your account, such as your name and address. We also retain information regarding your transactions with us, such as account balances, contributions and withdrawals.

Occasionally, we may disclose this information to companies that perform services for us, such as other financial institutions with whom we have joint marketing agreements. These companies may use this information only in connection with the services they provide to us, and not for any other purpose. We also may disclose this information to the extent permitted or required by law, such as to fund custodians or administrators to process shareholder transactions or to maintain shareholder accounts, to broker-dealer counterparties to settle equity or foreign exchange trades, to regulators, or as a result of a court order. We otherwise will not disclose any nonpublic personal information about our clients or former clients to any other party for any other purpose without first notifying the client. The client would then have an opportunity to "opt out" if he or she did not want information to be released.

We utilize a number of measures to protect your confidential information. Only our employees and those of our service providers who need nonpublic personal information in order to provide services to you have access to that data. All other employees are restricted

from accessing that information. Furthermore, we maintain physical, electronic and procedural safeguards to guard nonpublic information.