

## **Item 1. Cover Page**

### **Form ADV, Part 2A DISCLOSURE BROCHURE January 15, 2013**

#### **H CTG S.A.**

**6-8 rue Adolphe Fischer**

**L-1520 Luxembourg**

**+(352)20400530**

*This brochure provides information about the qualifications and business practices of H CTG S.A. If you have any questions about the contents of this brochure, please contact us at +352 20 40 05 30. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.*

*H CTG S.A. is registered as an investment adviser with the SEC. Registration with the SEC simply means that H CTG S.A. is authorized to provide investment advisory services and does not imply a certain level of skill or training.*

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

## **Item 2. Material Changes**

We have summarized changes to this Brochure since the Brochure amendment filed on March 28, 2012:

1. We have added a disclosure regarding fees charged for non-investment management services (See Item 5).
2. Fees may be charged to clients monthly in arrears (See Item 5).
3. We have amended the disclosure regarding brokerage practices to more accurately describe the Firm's operations (See Item 12).

You may request a copy of our current Brochure at any time, which we will provide to you free of charge. If you would like to request a copy of our current Brochure, please contact us at +(352)20400530

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## Item 4. Advisory Business

### A. The Firm and Principal Owners

H CTG S.A. ("H CTG" or the "Firm") provides investment management services to ultra high net worth individuals, high net worth individuals, trusts and corporations. The Firm was founded in 2010. The principal owners of the Firm are Jean-Francois de Clermont-Tonnerre, Managing Partner and Head of Asset Management and Fabien Gaglio, Managing Partner and Head of Development. They are each fifty percent (50%) owners of the Firm.

### B. Types of Services Offered

We provide investment management services to clients both on a discretionary and non-discretionary basis.

A description of the investment strategies and processes employed by the Firm as well as associated risks are discussed in detail in Item 8 below.

### C. Level of Service Offered

We provide discretionary investment management services ("Discretionary Mandate") and advisory services where the client makes the final investment decision ("Non-Discretionary Mandate").

We construct diversified portfolios comprised of the major asset classes (e.g., equities, bonds, commodities, alternative investments, cash) for our clients utilizing an active asset allocation approach.

While the Firm customizes the investment program to the particular needs of the client, generally clients are placed in one of five strategies:

1. Income;
2. Income with Shares;
3. Conservative Growth;
4. Dynamic Growth; and
5. Aggressive Growth.

Our personnel will conduct meetings and discussions with prospective new managed account clients in which we will review the Firm's investment strategies and will determine which of the Firm's strategies is appropriate. Information regarding the prospective client's investment objectives and constraints, financial condition, risk tolerance and other relevant information ("Suitability Information") will be reviewed to determine the suitability of the investment program. Using the information obtained at these meetings and discussions, we will complete an investment profile in which the appropriate strategy is designated. The Firm and the client will sign the investment profile. At this time, the potential client will also receive this disclosure document, Form ADV Part 2B and a copy of the Firm's privacy policy.

In the case of a Discretionary Mandate client, we implement and manage the portfolio based upon the client's objectives. For Non-Discretionary Mandate clients, we provide the client with proposed portfolios and the client makes the investment decision. We also monitor the portfolio and make recommendations to modify the portfolio if required.

**D. Assets Under Management**

As of December 31, 2012 client assets managed on a discretionary basis are \$22,117,336. Client assets managed on a non-discretionary basis are \$20,786,522.

## Item 5. Fees and Compensation

### A. Fees and Compensation

#### Management Fee

Our fees for providing investment management services are based on a percentage of assets under management. The table below describes our fee schedule for both Discretionary Mandate advisory agreements and Non-Discretionary Mandate advisory agreements. Fees are negotiable, at our discretion, on a case-by-case basis.

Market Value of Assets in Euros	Annual Fee Discretionary	Annual Fee Non-Discretionary
€20,000,000 – 30,000,000	1.0 %	0.40%
€30,000,001 - 40,000,000	0.9%	0.35%
€40,000,001 – 50,000,000	0.8%	0.30%
€50,000,001 - 70,000,000	0.7%	0.25%
€70,000,001 - 100,000,000	0.6%	0.20%
€100,000,001 and above	0.5%	0.20%

Fees charged to clients may exceed those noted above, as the Firm, from time to time, provides additional non-investment management services to certain clients of the Firm.

#### Method of Payment

The annual management fee is paid monthly or quarterly in arrears. Fees are calculated as set forth in each client advisory agreement. Fees are deducted from the assets in client accounts.

### B. Other Fees and Expenses

Fees Charged to Clients in Addition to the Investment Management Fee:

1. Brokerage Commissions and Other Transaction and Third Party Fees: Clients will pay all brokerage commissions, custodial fees and service charges, stock transfer fees and other similar charges incurred in connection with transactions for the client's account. In addition, the client may be subject to:
  - a. Wire transfer and electronic fund fees;
  - b. Other fees and taxes related to brokerage accounts; and
  - c. Other charges required by law.

These charges will generally be paid out of the client's assets held with the custodian

and are in addition to the investment advisory fee paid to us<sup>1</sup>.

For investments in registered funds and exchange traded registered funds, clients may incur additional charges imposed by third-parties, including, but not limited to, the following:

- a. Registered fund sales fees and sub transfer fees;
  - b. Internal management fees and administrative expenses for registered funds and exchange traded funds that are disclosed in the fund prospectus; and
  - c. Registered fund transaction fees and short term redemption fees, if applicable.
2. **Fund Investments:** Clients invested in pooled investment vehicles ("Investment Funds"), can expect to be charged management fees, performance fees and certain administrative expenses by the third party Investment Fund manager. All of these fees are in addition to the fees charged in the table above. Fund management fees charged by third party Investment Fund managers generally range from one to two percent (1% to 2%) annually. Depending on the terms of each Investment Fund, performance fees typically range from five to twenty percent (5% to 20%) of the annual net profits, subject to certain limitations, and, in certain cases, may exceed twenty percent (20%). All fees and administrative expenses are disclosed in the offering documents for each Investment Fund that clients receive prior to making an investment decision. In addition, each Investment Fund requires clients to meet specific qualifications in order to invest.

### **C. Prepayment of Fees**

We do not collect fees in advance.

### **D. Other Compensation**

We and our supervised persons do not accept any compensation for the sale of securities or other investment products.

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<sup>1</sup> See Item 12 Brokerage Practices for more information on the purchase and sale of securities.

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

Performance-based fees are based on a share of the capital gains on, or the capital appreciation of, clients' assets. Neither we nor our supervised persons receive performance-based fees for managing client accounts.

**Item 7. Types of Clients**

We provide investment advisory services to ultra high net worth individuals, high net worth individuals, trusts and corporations. Our normal minimum account size is \$7,000,000 USD. At the discretion of our Managing Partners, the minimum account size may be waived.

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

### **A. Methods of Analysis and Investment Strategies**

Our investment philosophy relies on three main pillars:

- **Preservation of Capital**

Most of our clients are entrepreneurs (wealth builders) who wish to minimize the risks in their private investments. One of our critical goals is to preserve client capital.

- **Absolute Return Strategy**

We made the decision to run our investment decisions without any benchmarks. Our conviction driven management prefers investing without any benchmark constraints, which inevitably imply some negative bias.

- **Open Architecture**

We rely on the independent judgment of external managers with regard to their investment decisions. We do not have “in-house” funds and we do not sell investment products. Our investment strategy depends on the development of investment models appropriate for different asset classes. The optimal objective is to construct efficient models in order to predict over time returns taking into account different market conditions. This implies the use of variables that combine the impact of different elements that impact returns such as macroeconomic conditions, fundamentals, as well as market oriented, corporate or sentiment signals.

We construct diversified portfolios comprised of the major asset classes (e.g., equities, bonds, commodities, alternative investments, cash) for our clients utilizing an active asset allocation approach. Individual portfolios are constructed based on the client’s risk tolerance, time horizon and investment objectives.

Our client portfolios are constructed using a two step approach. Step one is the strategic allocation by (i) asset class; (ii) geographical zones; (iii) sectors; and (iv) currencies. Step two is the selection of specific investments based upon the strategic allocation. We may select direct investments and/or unaffiliated Investment Funds. We make direct investments in equities, fixed income, commodities, alternative investments and money market products. We use both quantitative and qualitative methods to select investments. The goal of the selection process is to find top performing funds within their given management styles and then select managers and funds that use a different approach, but make a positive alpha contribution to the portfolio.

Methods of analysis include: (i) macroeconomic analysis; (ii) industrial/business cycle signals; (iii) valuation of the potential investment using fundamental evaluation techniques such as cash flows, debt profile and inventories; (iv) potential cash/return approach; (v) momentum trends; and (vi) overall market sentiment.

### **B. Material Risks Associated with Investment Strategies**

#### **Understanding Risks in General**

Overall risk, more commonly called value at risk ("VaR"), is the standard deviation of the set of trades in each asset class, while the directional risk, or beta to the market, in each asset class is this total VaR times the correlation of these trades with the market portfolio.

Our internal system computes in real time both risks to generate a global measure of the risk. We are extremely sensitive to the increasing concerns about liquidity (systematic or idiosyncratic) and correlation risks. Our conclusion is that there is no such thing as "a no-default risk system." As a consequence, we decided to increase the capital protection of our clients by constantly monitoring the underlying product risks.

The subprime crisis and its subsequent credit turmoil have shown that asset shocks and liquidity shocks tend to be highly correlated. As a consequence, the risk management of our asset allocation process has been significantly improved with a much greater sensitivity to liquidity risk and correlation risk.

We therefore consider liquidity and correlation risks as new concerns as part of our risk management process:

- Liquidity risks have two elements:
  - Systematic: Risks involving conventional market reaction (flight to quality, etc.); and
  - Idiosyncratic shocks: Leading to emotional trades and disorderly reaction.
- Correlation risk:
  - The new globalization of markets has generated a trend in correlation that shows an increasing pattern over time across markets and products;
  - Higher correlation reduces the benefits of diversification; and
  - Correlation increases dramatically in times of market stress.

The management of both risks requires testing of stress scenarios and creating contingency plans. Understanding the foundations of liquidity risk and correlation risk is crucial to portfolio management in times of market shocks as a new era of financial intermediation and sophistication has significantly increased the occurrence of financial stress. As a consequence, we ensure that our risk model includes efficient hedging strategies depending on market liquidity conditions. This requires constant model monitoring and permanent developments to ensure the strongest diversification, such as statistical analysis and stress testing for different market conditions.

### **C. Material Risks Associated with Certain Securities.**

1. Fund Investments: We recommend Investment Funds to our clients. Such investments contain certain risks. They are generally outlined as follows:
  - a. Liquidity: Partnership and LLC member interests are not easily transferable, even on the secondary market, and are subject to redemption limitations.
  - b. Transparency: Advisers to Investment Funds may not provide detailed information on their portfolio positions and therefore clients may not be able to objectively assess the risk of the underlying fund investments.

- c. Reliance on Key Personnel: Most fund advisors have a small number of key people who make the important investment decisions. Should any of those persons end their association with the fund, the ability to achieve good performance may be impaired and, due to lock-up provisions, investors may not be able to exit the fund.
- d. Similar Funds: Investment managers often advise similar funds and, depending on the fee structures for those funds, the investment managers may allocate certain limited investment opportunities to higher fee funds.
- e. Valuation: Certain funds own hard to value assets. Investment managers generally have discretion to value those assets and have an incentive to assign a higher value to those assets as their fees are tied to such valuations. We mitigate this conflict by requiring that Investment Funds we select for our clients be audited by major international auditing firms.
- f. Leverage: Certain funds use leverage (borrow funds from banks and brokers) to increase their securities holdings. The use of leverage will magnify both gains and losses beyond the amount invested by a client in a fund.

The specific risks associated with the funds are outlined in the offering memoranda for the funds.

- 2. Mutual Funds: We invest client funds in mutual funds, some of which are highly specialized. Below are some general risks associated with mutual funds:
  - a. **Market performance risk**, which is the risk that stock, bond, or commodity prices overall, will decline.
  - b. **Manager risk**, which is the risk that poor security selection or focus on securities in a particular sector, category, or group of companies will cause the mutual fund to underperform relevant benchmarks or other funds with a similar investment objective.
  - c. **Nondiversification risk**, which is the risk that a fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. Certain funds may be non-diversified, which means that they may invest a greater percentage of their assets in the securities of a small number of issuers as compared with other mutual funds.

For a description of the risks associated with particular mutual funds, it is important to read the individual prospectuses related to those funds.

- 3. Exchange Traded Funds ("ETFs"):

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. (Some ETFs that invest in commodities, currencies, or commodity or currency based instruments are not registered as investment companies.) Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. While investing in ETFs may create similar risks to those of mutual funds

(because ETF shares are traded on an exchange), they are also subject to additional risks that include the following:

- a. **Valuation Risk.** ETFs are listed for trading on exchanges and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF share typically will approximate its net asset value ("NAV"), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy an ETF share and you may receive more or less than NAV when you sell those shares.
- b. **Liquidity Risk.** Although ETF shares are listed for trading on exchanges, it is possible that they may not maintain an actively trading market. In addition, trading of ETF shares on an exchange may be halted by the activation of individual or market-wide "circuit breakers" (that halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of ETF shares may also be halted if: (1) the shares are delisted from the exchange where they are trading without first being listed on another exchange; or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

#### 4. Fixed Income Products:

We invest a significant amount of client assets in fixed income products. Below are general risks associated with fixed income products:

- a. **Credit Risk:** The financial soundness of an issuer (borrower) is often measured by a credit rating agency such as Standard & Poors, Moody's or Fitch. The rating agencies attempt to measure the ability of an issuer to pay the interest and principal payments on their debt. Typically, the higher the issuer's credit rating the lower the expected investment return will be.
- b. **Default Risk:** A default occurs when an issuer fails to make payment on a principal or interest payment.
- c. **Event Risk:** Event risk is difficult to predict because it may involve natural disasters, such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.
- d. **Market Risk:** Market risk refers to the bond market as a whole declining and causing the value of all securities to decline regardless of the individual characteristics of a particular security.
- e. **Duration Risk:** Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate and call feature. Duration is a way to compare how different bonds will react to interest rate changes. If a bond has a duration of five years it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.

- f. **Inflation Risk:** Inflation is the decline in the purchasing power of a dollar, meaning today's dollar will buy less tomorrow. In other words, the purchasing power of a bond's future interest and principal payments will be reduced. Typically, in an inflationary environment, interest rates will rise as well, causing the value of bond holding to decline.
  - g. **Swap Spread Risk:** Swap Spread Risk is the difference between the yield of a bond and the LIBOR curve, expressed in basis points. The asset-swap spread is designed to show the credit risk associated with the bond. Analysts will typically look at both the Z-spread and the asset-swap spread to see if there are discrepancies in a bond's price. Unlike the Z-spread, the asset-swap spread is calculated using the bond's yield to maturity.
  - h. **Interest Rate Risk:** Interest rate risk refers to the relationship between the value of a bond and changing interest rates. A rise in interest rates will cause a decline in the value of a bond holding.
  - i. **Reinvestment Risk:** Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.
5. **Risks Associated with Investments in Physical Commodities.** The Firm will invest in physical commodities through its investment program. Investments in physical commodities are subject to certain specific risks. Physical commodities trading can be problematic and risky. In particular, physical commodities are subject to the standard physical property loss and damage risks from events such as theft, natural disasters, accidental disasters, war or terrorist attacks. In addition, the physical commodities' markets are substantially unregulated.

Generally, substantial risks are involved in investing and trading physical commodities. Market movements can be volatile, may be cyclical in nature and are difficult to predict. The production and marketing of physical commodities may be affected by actions and changes in governments. During periods of economic or financial instability, physical commodities may be subject to broad price fluctuations, reflecting volatility of agricultural, energy and basic materials prices and possible instability of supply of various physical commodities. In addition, certain physical commodities may also be subject to the risks generally associated with extraction of natural resources, such as the risks of mining and oil drilling, and the risks of the hazards associated with natural resources, such as fire, drought, flood, increased regulatory and environmental costs, and others. Governmental activities of all types can have a profound effect on the prices of physical commodities as well as the liquidity of the various physical commodities markets. Politics, recession, inflation, employment levels, trade policies, international events, war and other unforeseen events can also have a significant impact upon the prices of physical commodities. A variety of possible actions by governments also can inhibit the profitability of the investments or can result in losses. Such events, which can result in large market movements and volatile market conditions, create the risk of severe losses for clients.

## **Item 9. Disciplinary Information**

We have no legal or disciplinary events that are material to a client or prospective client's evaluation of our advisory business or the integrity of our management.

**Item 10. Other Financial Industry Activities and Affiliations****A. Broker-Dealer Affiliations**

Neither we nor our management persons are registered or have applications pending to register as a broker-dealer or registered representatives of a broker-dealer.

**B. Commodity Affiliations**

Neither we nor our management persons are registered or have applications pending to register as a futures commission merchant, commodity pool operator, commodity trading adviser or an associated person of these entities.

**C. Other Affiliations**

The owners of H CTG are also the primary owners of Hottinger & Partners, a private asset management firm focused on ultra high net worth families. Hottinger & Partners offers the same types of asset management services as H CTG offers to its US client base. This affiliation presents a conflict of interest as there could be circumstances when clients of the affiliated adviser may receive more favorable treatment with regard to the allocation of limited investment opportunities. We address this conflict by ensuring that the owners of the Firm review client portfolios, both of our Firm and the affiliate, on a regular basis to ensure that allocations of investments are made in a fair and equitable manner.

In addition, as the owners of the Firm may also perform duties for the affiliated firm, it may impact the amount of time they spend fulfilling their obligations to our Firm. We address this conflict by appointing qualified management to run the day to day operations of our Firm while the Firm's owners continue to closely supervise our Firm's activities.

**D. Recommendation of Selection of Other Investment Advisers**

As stated above, we select other investment advisers and other pooled investment vehicles for investments for our clients. However, we receive no compensation, either directly or indirectly, from the investment advisers and pooled investment vehicles.

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

### **A. Summary of Code of Ethics**

We maintain a Code of Ethics (the "Code") that describes our fiduciary duty to our clients and sets standards for business conduct. The following is a summary of the key provisions of the Code:

**Scope** - The Code covers all directors, officers, partners, employees, and any other persons who are under our supervision and control.

**Fiduciary Duties** - This Code is based on the principle that we and our employees owe a fiduciary duty to our clients. Accordingly, we and our employees must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of our clients.

**Personal Securities Trading** - All Employees are subject to certain trading restrictions. In addition, all employees must report their personal securities transactions quarterly and personal securities holdings annually.

**Code of Conduct** - The Code contains specific topics designed to reflect our commitment to ethical conduct. These topics include compliance with legal and regulatory requirements, gifts, outside activities, entertainment and board directorships. We also maintain separate Insider Trading Policies and Procedures.

**Code Violations** - The Code requires that all employees report any actual or apparent violation of the Code and provides for a prohibition on retaliation against any person who reports such violations. Appropriate sanctions are included for Code violations.

You may receive a copy of our Code by contacting our Compliance Department at 21 Cote d'Eich, Luxembourg 1450 or calling 0035220400530

### **B. Transactions with Clients**

We do not recommend or buy or sell securities in which we or a related party hold a material financial interest.

### **C. Investing in the Same Securities as Clients**

We do not permit our employees and employees of affiliates to trade in the same securities as those held by or recommended to clients.

### **D. Employees Trading in the Same Securities as Clients at the Same Time**

See Item 11(C) above.

## **Item 12. Brokerage Practices**

### **A. Factors in Broker Selection**

Clients may select the custodian for their accounts. We will recommend that clients use the Bank of Luxembourg as their custodian ("the Broker/Custodian"). We recommend the Broker/Custodian after considering a wide range of factors including the following:

- Financial strength, integrity and stability
- Quality of their trading and execution services
- Competitiveness of the fees based upon the quality of service
- Responsiveness

### **1. Benefits Received from the Broker/Custodian**

Clients may pay higher transaction costs than the lowest available costs and our recommendation of the Broker/Custodian is based on the best of interests of our clients taking into account a wide range of factors including those referenced above.

While we may receive certain products and data, primarily broad market commentary and reports from the Broker/Custodian, they are incidental to our relationship with the Broker/Custodian and we do not direct any client trades to the Broker/Custodian in exchange for such products.

We do not direct client transactions to a particular broker-dealer in return for any service we receive from the Broker/Custodian. Our recommendation of the Broker/Custodian is based on the selection criteria outlined above. We have procedures in place to review the execution quality and other services provided by them and such reviews take place on a regular basis.

### **2. Brokerage for Client Referrals**

We currently do not receive client referrals in exchange for selecting or recommending broker-dealers for client transactions. If we do receive such referrals in the future, such referrals may provide us with an incentive to use the referring broker when another broker may provide more favorable execution. We do not direct client transactions to broker-dealers in return for client referrals.

### **3. Directed Brokerage**

We recommend, but do not require, that clients use the Broker/Custodian to execute transactions. We address the potential conflict of our recommendation in Item 12 above.

We permit clients to direct brokerage transactions to a broker-dealer selected by the client. Where a client directs us to use particular broker-dealer, the client generally negotiates

commission rates on transactions executed through such broker-dealers and we do not evaluate the brokerage services provided to the client, the execution quality or the commission rates paid by the client. As a result of such direction, a client may lose possible advantages, such as the ability to aggregate orders, and therefore may receive a less favorable execution.

## **B. Aggregating the Purchase and Sale of Securities for Client Accounts**

The Broker/Custodian may aggregate securities sales and purchase orders for clients with similar orders being made at the same time for other accounts held at the same custodian and that we manage. Aggregated security sales and purchase orders are predetermined by the trading desk. When we aggregate trades, an average price is calculated for all securities purchased or sold in such transactions and we charge or credit a client, as the case may be, the average transaction price. Under this procedure, generally, we would average transactions as to price and we would allocate costs among our clients participating in the trade in proportion to the order placed for each client account. When we do not aggregate trades, it may impact execution and the price received by different clients may differ, with certain clients getting better pricing than others.

If practicable, orders for non-discretionary accounts will be aggregated with those of discretionary accounts. However, because of the time necessary to obtain approval from non-discretionary account holders, orders from such accounts may not be aggregated with the trades of discretionary accounts. If non-discretionary accounts are not participating in such a trade, such accounts may, if practicable, be aggregated with orders of other non-discretionary accounts. Our inability to aggregate trades for non-discretionary accounts with those of discretionary accounts may result in different prices for the non-discretionary accounts.

## **Item 13. Review of Accounts**

### **A. Periodic Review of Client Accounts**

Generally, client level account reviews occur at least monthly. These reviews are conducted by Investment Committees.

All new accounts are reviewed by the Relationship Manager, who is responsible for implementing the appropriate portfolio strategy.

### **B. Review of Client Accounts on Other than Periodic Basis**

Factors that may cause our personnel to review a client's account more frequently include:

- Volatile market periods;
- Changes in client objectives; and
- Client request.

### **C. Content and Frequency of Client Reports**

We provide clients with written monthly portfolio evaluations of their accounts, including portfolio statements and performance reports. We will also provide client reports upon request from the client.

**Item 14. Client Referrals and Other Compensation****A. Economic Benefits from Third Parties**

We do not receive any economic benefit from a third party for providing investment advisory services.

**B. Compensation to Third Parties for Referrals**

We may have arrangements with third parties where we will pay these third parties a percentage of the management fee for soliciting clients. Solicitors will give clients a solicitor's disclosure document at the time the solicitors initially contact them, as well as our Form ADV, Part 2. Clients must acknowledge in writing the receipt of both disclosure documents.

## **Item 15. Custody**

All of our clients receive monthly or quarterly account statements directly from the custodian. We urge clients to read these statements carefully.

**Item 16. Investment Discretion**

We accept discretionary authority to manage securities portfolios on behalf of our discretionary clients. We give those clients the opportunity to place restrictions and limitations on this authority. Since all portfolios are customized to the needs of the specific client, these restrictions will vary depending on the portfolio construction. All such clients sign investment management agreements that clearly describe any limitations the client may impose.

## **Item 17. Voting Client Securities**

### **A. Proxy Voting Authority**

We do not vote proxies on behalf of our clients.

### **B. Client Voting of Proxies**

Our clients will receive proxies or other solicitations directly from their custodian or transfer agent for individual securities we purchase on their behalf. In the event that proxies are sent to us, we will forward them on to our clients and ask the party who sent them to mail them directly to our clients in the future. The managers of Investment Funds in which clients invest vote proxies for investments made by those Investment Funds.

**Item 18. Financial Information****A. Solicitation or prepayment of more than \$1,200 in fees**

We do not require, nor do we solicit, prepayment of more than one thousand two hundred (\$1,200.00) in fees per client, six (6) months or more in advance. Therefore, we have not included a balance sheet for our most recent fiscal year.

**B. Financial Condition Disclosure**

Although we do have discretionary authority over our client accounts, we do not have any financial condition to disclose that is likely to impair our ability to meet our contractual commitments to the Funds.

**C. Other Financial Disclosures**

We have never been the subject of a bankruptcy petition.

## Other Conflicts, Risks and Mitigation

Valuation – We have a duty to ensure that client portfolios are valued properly.

There is a conflict of interest for us, because the compensation we earn on advisory accounts is based on assets under management, so if we were to assign a higher value to client portfolios, the fees we collect would be higher. We address this conflict as follows:

1. For securities with a readily verifiable market price, we rely on pricing provided by third party custodians. Our Chief Compliance Officer ("CCO") reviews and approves the pricing policies of the custodians and samples the pricing periodically for unusual price variances.
2. For other securities, we have procedures in place, involving the CCO, to appropriately value certain securities subject to fair value pricing.

### Trade Errors

The Firm has developed trade error procedures whereby clients are reimbursed for all losses attributed to trade errors. All gains resulting from trade errors will remain in client accounts.