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# Signalert Asset Management LLC

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150 Great Neck Road, Suite 301

Great Neck, NY 11021

(516) 829-6444

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

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**This Brochure provides information about the qualifications and business practices of Signalert Asset Management LLC (“SAM”). If you have any questions about the contents of this Brochure, please contact us at (516) 829-6444. 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.**

**SAM is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.**

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

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## ITEM 2 – MATERIAL CHANGES

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Since our last annual Brochure prepared on January 31, 2012, we have made the following material changes: We have consolidated our private fund clients from 10 separate limited partnerships into one common umbrella vehicle formed as a limited liability company in with 10 separate portfolio series (See Item 4). We have added disclosure about the conflicts of interest involved in our side-by-side management of accounts that pay different amounts of management fees (See Item 6). We have added disclosure regarding the conflicts of interest we face when recommending that separately managed account Clients invest in the private funds we manage (See Item 10). We have added disclosure concerning the conflicts involved in producing advice to our newsletter subscribers and our managed account Clients and the conflicts involved in managing related accounts (See item 11). We have further described our allocation policies (see Item 11). We have revised and streamlined our disclosure regarding the receipt of items for brokerage and our efforts to obtain best execution. (See Item 12). We have also added disclosure regarding custody.

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#### ITEM 4 – ADVISORY BUSINESS

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SAM is a Delaware limited liability company formed on December 21, 2011. SAM succeeded to the business and operations of Signalert Corporation and Appel Asset Management Corp., both formerly SEC-registered investment advisers. SAM is owned by Appel Asset Management Corp. and by SAM's President, Marvin Appel. Appel Asset Management Corp. is owned by Marvin Appel.

SAM provides discretionary investment advisory services to individuals (including their retirement accounts and high net worth individuals), small-business retirement plans, charitable organizations and to SAM Risk Managed Fund LLC, a multi-series Delaware Limited Liability Company ("SRM Fund") (collectively, "Clients") based on the philosophy of actively managing Client accounts by frequently reviewing market conditions and Client holdings. Whenever SAM judges that a change in market conditions would warrant a change in a Client's portfolio, SAM will make that change on a Client's behalf.

SAM serves as the managing member to the SRM Fund. SRM has multiple separate portfolio series ("Funds"). The Funds have one common operating agreement and offering memorandum ("Memorandum"). However, each Fund (1) is treated as a separate partnership for Federal income tax and other legal purposes, (2) has its own specific investment objectives and strategies that apply only to the members of that Portfolio Series, (3) has separate assets and liabilities that will be legally segregated from the assets and liabilities of each other Fund, (4) maintains separate books and records and will be independently audited, and (5) generate its own annual tax filing information. Information about the SAM Fund including information about each Fund's investment strategies, fees, risks and other material information, is contained in the Memorandum.

At the start of SAM's relationship with a Client, SAM will get to know the Client's goals, financial situation and ability to bear investment risk. Based on that understanding, SAM will recommend an investment program. Once the Client and SAM agree on a suitable program for the Client, SAM operates with investment discretion, which means that SAM will not ask for approval for each transaction. Clients are not constrained to model portfolios, allowing SAM to accommodate reasonable preferences that an individual Client may have.

Decisions that SAM makes on an ongoing basis for Clients include selecting which areas of the stock and bond markets in which to invest, and determining how much allocation to cash or exposure to each of these areas is suitable for each Client. At any given time, the holdings in each Client's portfolio will depend on the Client's ability to bear investment risk, profit objectives and on SAM's assessment of prevailing market conditions. In general, more conservative Clients will have less exposure to the stock market than more aggressive Clients, and their stock market holdings will be of a less volatile nature. Conversely, more conservative Clients will generally have greater exposure to the bond market compared to more aggressive Clients.

SAM's Clients hold open-end mutual funds (both equity and bond), exchange-traded funds ("ETFs") as well as individual publicly traded stocks (common and preferred) and bonds

(Treasury, corporate, municipal) in their accounts. Utilizing these vehicles, SAM aims to gain exposure to any area of the market SAM judges to be suitable and offering good opportunities to each Client. Clients may have exposure at different times to U.S. equities, foreign equities in both developed and emerging markets, high-yield bonds, investment-grade bonds, commodities, foreign currencies or real estate investment trusts. SAM does not invest Client assets in privately traded securities and will not invest in any private security for a Client without specific authorization from the Client to make such an investment.

SAM also manages a number of Client accounts in variable annuities, where SAM utilizes the selection of stock and bond mutual funds available to the Client within the annuity.

SAM provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Limited Partnership are set forth in its Memorandum while separately managed account Clients provide their guidelines orally or Client guidelines are contained in account proposals prepared by SAM for such Clients.

In addition to its discretionary investment advisory services, SAM publishes an online investment newsletter entitled, “*Systems and Forecasts*” for paying subscribers. *Systems and Forecasts* is published on a bi-weekly basis, 24 issues per year with periodic “hotline” updates issued by SAM to *Systems and Forecasts* subscribers in-between issues.

SAM’s recommendations to Clients and *Systems and Forecasts* subscribers is generally limited to liquid and available securities.

As of February 25, 2013, SAM managed approximately \$260 million of assets on a discretionary basis.

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## ITEM 5 – FEES AND COMPENSATION

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SAM’s standard management fees for individual discretionary client accounts is 2% of total assets annually, billed at a rate of 0.5% quarterly. However, such fees are negotiable depending on a variety of factors that include, but are not limited to, the complexity and/or size of such Client’s account and the history of such Client’s relationship with SAM. SAM’s fees could be higher than those of other investment advisers providing comparable services to clients.

Investment advisory fees for the management of accounts are billed in arrears at the end of each quarter and are prorated for assets deposited or withdrawn in the middle. Clients may elect to have their fees paid directly from their accounts or to pay the fees from other sources.

To the extent that Clients invest in mutual funds or ETFs, the Clients also pay the expenses of these vehicles. The impact of mutual fund or ETF expense ratios is reflected in their investment performance. SAM attempts to invest Clients only into mutual funds and ETFs whose potential investment performance warrants incurring the expense ratio.

In addition, Clients whose accounts trade in options pay transaction costs to options brokers at various rates. SAM attempts to negotiate the most favorable rates for its Clients, but such rates

vary depending, among other things, on whether or not the Client was a pre-existing customer of the options broker. In such event, transaction rates are often negotiated between the Client and the broker directly.

In its capacity as investment adviser to Funds, SAM charges management fees ranging from 1.25% to 2.5% of assets annually (0.3125%-0.625% per quarter, billed in arrears), depending on the nature and methodology of the Limited Partnership. The majority of Funds pay a 2% per year (0.5% per quarter) management fee. Fees and other material terms regarding an investment in a particular Fund are set forth in such Fund's Memorandum.

Clients in variable annuities must also pay the insurance company's mortality benefit and expense ratio, in addition to the expenses of the mutual funds offered within each annuity.

*Systems and Forecasts* subscribers pay annual subscription fees, generally \$225 per year. This fee may be reduced during special promotions, and free trial subscriptions are available.

Each Client has the right to terminate its advisory agreement with SAM upon written notice as set forth in such Client's advisory agreement. Upon termination of any Client account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. Withdrawals or redemptions by investors in a Limited Partnership can be made on the terms described in the Limited Partnership's Memorandum.

SAM's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred by Clients regarding the trading and maintenance of Client accounts. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to SAM's fees, and SAM does not receive any portion of these commissions, fees, and costs. 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 SAM's fee, and SAM does not receive any portion of these commissions, fees, and costs.

SAM does not receive any sales commissions or referral fees from any source.

Item 12 describes the factors that SAM considers in selecting broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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SAM does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a Client). However, different clients pay different amounts of management fees. Charging different levels of asset-based fees, creates conflicts of interest. We have an incentive to favor those accounts that pay us a greater management fee over those accounts that pay us a lesser management fee because we will receive greater compensation by doing so. Nonetheless, we seek to treat all clients in a fair and equitable manner at all times, and we will act in a manner that we believe to be in the best interests of all of our clients. To that

end, we have established a variety of policies and other controls regarding allocation of investment opportunities, including those seeking to manage the conflicts of interest identified in this Item 6. Please see Item 11 below for more information about our allocation policies.

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## **ITEM 7 – TYPES OF CLIENTS**

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SAM provides discretionary investment advisory services to individuals (including their retirement accounts and high net worth individuals), small-business retirement plans, charitable organizations and the Funds. The minimum account size depends on the investment program. SAM generally does not accept investments of less than \$50,000 in a Fund, nor for less than \$200,000 for an individual account.

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## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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SAM utilizes a multi-disciplined investment approach that relies on technical analysis (*i.e.*, the use of market behavior to assess whether future market conditions are likely to be favorable or risky). SAM's main sources of information include market statistics, stock and mutual fund price data that are available online and in print, financial newspapers and magazines, research materials prepared by others, timing services, annual reports, prospectuses, and filings with the SEC. There are two overall goals of SAM's analysis:

1. To determine how much exposure to the stock or bond market is potentially optimal for each Client, given SAM's assessment of prevailing market conditions and the Client's financial situation.
2. To determine which areas of the stock and bond markets offer the best potential balance between risks and rewards (taking into account risk factors described in more detail below).

SAM's trading strategy involves periodic movements of Client assets between risky holdings and the money market, and among different areas of the stock and bond markets, based primarily on proprietary models that utilize technical analysis to detect turning points within the securities markets.

SAM provides advisory services related to market timing. SAM bases the largest proportion of its market timing decisions upon proprietary timing models and strategies that have been created by Gerald Appel, SAM's Chairman, which are applied to SAM's assessment of general market conditions and to the timing of individual transactions in mutual funds, ETFs, stocks and options. Certain mathematical valuation models are employed in regard to options transactions.

Although SAM's strategies are designed to reduce market risk, Clients bear the potential risk of all the markets in which they are invested. The process of adjusting the holdings in Clients' accounts does involve relatively frequent (and usually small) transactions. Most transactions generate a fee (paid to the broker, not to SAM), the cumulative burden of which could potentially weigh on performance. In order to mitigate the burden of transaction costs on Clients, SAM makes every effort to negotiate favorable commissions with the brokers where SAM's Clients

are housed and to minimize the number of transactions consistent with SAM's philosophy of active investment management.

The holding period for securities in Clients' accounts is usually under one year. This has potential tax implications for non-retirement accounts. SAM offers strategies to Clients who want to address the tax burden of shorter holding periods.

There can be no assurances that a Client will achieve its investment objective or that the strategies pursued and methods utilized by SAM will be successful under all or any market conditions.

### **Certain Risk Factors**

Investing in securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with SAM's principal investment strategy and methods of analysis follows. Additional risk factors are set forth in a Client's investment management agreement and the Memorandum of each Limited Partnership.

**Open-End Mutual Funds.** All mutual funds bear the full risk of the markets in which they invest. In addition, many funds' prospectuses allow for the imposition of trading restrictions during market conditions when the fund finds it difficult to meet shareholder redemptions by selling the underlying securities. Such restrictions include redeeming shares in-kind rather than for cash or imposing early redemption fees, either of which could impose significant unexpected costs to the Client.

**Foreign Equity and Bond Mutual Funds.** Compared to funds that invest exclusively in the U.S., foreign funds face additional risks, including currency fluctuations, foreign withholding taxes, and greater difficulty and expense in buying or selling the underlying securities.

**High Yield Bond Mutual Funds.** The underlying bonds in these funds face above-average risks of default and of significant price declines during unfavorable economic climates. (The trading models SAM utilizes are designed to mitigate these risks but cannot be guaranteed to do so in the future.)

**Individual Stocks.** Although SAM endeavors to select stocks that its research suggests have favorable characteristics (such as growing dividend payout and solid financial condition), any individual stock is subject to large price swings in response to unpredictable events.

**Individual Bonds and Preferred Stocks.** Any bond or preferred stock not guaranteed by the U.S. Treasury has a risk of borrower default (which could result in a loss of much or all of a Client's investment in that bond). In addition, the value of any bond, bond mutual fund or preferred stock is affected by changes in interest rates. A general rise in interest rates could depress the value of existing bond or preferred stock holdings in Clients' accounts. In the case of long-term bonds (maturing in more than ten years) or preferred stocks, the amount of decline in the face of rising interest rates could be severe. Lastly, individual bonds and preferred stocks are frequently illiquid, making it potentially expensive to liquidate Clients' investments in these vehicles. For this reason, SAM selects only individual bonds or preferred stocks for Clients that SAM judges to be suitable to hold until maturity (or at least for several years).



**Dependence on Technical Trading Systems.** In its trading, SAM relies in large measure on its technical trading systems. Technical systems are based on mathematical analysis of certain technical and fundamental data regarding past market performance. Such systems take into account fundamental external factors (*e.g.*, weather, interest rates, political climate) only to a limited extent. Thus, even though SAM, on occasion, uses its discretion in trading mutual fund shares, ETFs, and individual equity or debt securities on behalf of Clients notwithstanding the absence of technical signals, SAM's reliance on such signals may result in an inability to respond to fundamental events in the market place until after their impact has ceased to influence the market. Moreover, there is no assurance that such signals, when generated, will prove correct because no technical trading model or hedge model is totally efficient.

**Short-Term Trading.** Short-term mutual fund trading is subject to the risks normally associated with the short-term trading of any stock market vehicle. The number of open-end mutual funds that allow for very rapid and unrestricted trading is limited, and the selection of mutual funds into which a Client can invest in accordance with its trading strategies is therefore limited to that extent. Funds with which a Client may trade may underperform other open-end mutual funds that will not permit short-term trading.

**Mutual Fund Trading.** It is possible for the value of a mutual fund to fall more quickly or to rise more slowly than the stock market as a whole. This risk is exacerbated in investments which are concentrated in particular types of securities (*e.g.*, small-cap funds) or particular market sectors (*e.g.*, technology, healthcare, or finance sector funds). Risk is involved in fund selection as well as in market timing. Most mutual fund shares can only be traded at the end of each day, potentially increasing losses on days of steep overall market declines. In addition, some funds only permit trading well before the market closes. Missed trading opportunities may impair performance. There also may be occasions when limited liquidity in the markets may prevent the timely purchase or sale of a Client's mutual fund holdings. This could impact a Client's ability to implement its trading strategies.

In general, U.S. open-end mutual funds must offer their shareholders the right to redeem shares daily at the close of business and at closing net asset value. However, in certain circumstances, such as a disruption of the orderly markets for the securities in which the mutual funds invest, or the inability of a fund to receive or process all redemption requests, SAM might not be able to dispose of certain holdings, or may do so only at prices that do not represent true market value in the judgment of SAM. This may prevent SAM from limiting losses or realizing gains. The redemption price, consisting of net asset value, is determined unilaterally by the fund manager or custodian.

**Exchange Traded Funds (ETFs).** ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed generally to correspond to the price and yield performance of their underlying indices, either broad stock market, stock industry sector, international stock, or U.S. bonds. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline,

adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. A sector ETF may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic, and political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, ETFs may not be able to replicate exactly the performance of the indices because of their expenses and other factors.

**ETFs - Liquidity and Pricing Risks.** ETFs, as with individual stocks, can at any time be bought at an asked price or sold at a bid price in a limited quantity. Attempts to transact in larger quantities can move the market against a Client's position. Although current liquidity is sufficient to accommodate the anticipated volume of transactions in ETFs, this may not always be the case in the future.

**Closed-End Mutual Funds - Liquidity and Pricing Risks.** Closed-end mutual funds incur the same market risks as open-end mutual funds, as well as significant liquidity and pricing risks. The share price of a closed-end mutual fund may differ significantly (either higher or lower) than the market value of the underlying securities in the fund's portfolio because, unlike the situation with ETFs, there is no mechanism by which certain market participants can create or redeem closed-end mutual fund shares in exchange for the underlying basket of securities. As with ETFs, attempts to transact in large quantities of closed-end fund shares can move the market against a Client's position.

**Mutual Fund Leverage Risks.** The open-end mutual funds, ETFs or closed-end mutual funds invested in by SAM may employ leveraged investment techniques. Leverage is the ability to obtain a return on a capital base to be utilized by SAM that is larger than the equity invested and may involve the use of borrowed funds, options, or other instruments. Use of leverage can magnify the effects of changes in the value of the invested funds and make them more volatile. The leveraged investment techniques that the underlying mutual funds employ could cause SAM to lose more money in adverse environments.

**Options Trading.** Options trading involves certain risks aside from the normal risks associated with trading in common stocks. Options trading may be restricted in the event trading in the underlying instrument becomes restricted. Options trading may itself be illiquid at times, irrespective of the condition of the market of the underlying instrument. Such restriction would make it difficult to offset option positions in order either to realize gain thereon, limit losses or change positions in the market. Options trading also may be subject to the additional risks of potential erratic price movement and short squeezes. In addition, to the extent that SAM engages in naked options strategies involving the purchase or writing of calls or puts, SAM risks losing either the entire premium investment, or a significant amount, in a relatively short period.

**International Investments.** Mutual funds that invest in foreign securities historically have been highly volatile in nature. To the extent that SAM invests in such instruments, it will be subject to greater risks than are present in comparable U.S. investments. In general, foreign markets are

not as liquid and do not have pertinent information disseminated as efficiently as U.S. markets. In addition, with respect to some countries, there is the possibility of expropriation, confiscatory taxation, and/or political, social and financial instability. In addition, if SAM invests in foreign securities denominated in foreign currencies, the value of those securities will be affected by changes in exchange rates.

**Use of Margin.** SAM has established margin accounts at certain brokerage firms to purchase mutual funds. The use of margin increases the risk potential as well as the profit potential. Margin interest charges also reduce profit potential without mitigating the risk.

The foregoing does not purport to be a complete explanation of the risks involved in trading mutual funds or with respect to any investment strategy.

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#### **ITEM 9 – DISCIPLINARY INFORMATION**

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SAM does not have any disciplinary or legal events to report.

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#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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SAM serves as the managing member to the SRM Fund, which invest as described under Items 4 and 8. In accordance with their investment objectives and tolerance for risk, SAM may recommend that particular Clients who have separately managed accounts invest in the Funds. As described in Item 5 above the Funds pay management fees to SAM. Clients that invest a portion of their assets in the Funds do not pay management fees to SAM on such assets other than the management fees paid to SAM by the Funds on account of such assets. Nonetheless, SAM has a conflict of interest in recommending that Clients invest in the Funds because the Funds generally pay higher management fees than separately managed accounts. SAM's policy is only to recommend Fund investments to Clients if it believes the Fund investment is in the best interest of such Clients.

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#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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##### **Code of Ethics**

SAM has adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which SAM operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material nonpublic information;

- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings and quarterly transaction reports by Employees.

SAM's Code is available to any Client or prospective client upon request by contacting Tracey Landry at (516) 829-6444.

### **Conflicts Between Client Accounts and *Systems and Forecasts* Subscribers**

Client accounts generally will receive SAM's investment recommendations before *Systems and Forecasts* subscribers receive such recommendations. Therefore, *Systems and Forecasts* subscribers may not be able to buy securities recommended by SAM at prices as favorable as the prices SAM obtained for its Clients. Similarly, sell recommendations made by SAM to *Systems and Forecasts* subscribers may not be made at prices that are as favorable as the prices SAM obtained for Client accounts.

### **Recommendations of Funds**

In accordance with their investment objectives and tolerance for risk, SAM may recommend that particular Clients invest in the Funds. See Item 10 above for the conflict of interest inherent in this practice and manner in which SAM addresses this conflict of interest.

### **Trading Conflicts Between Client Accounts and SAM-Related Accounts**

SAM, consistent with Clients' investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to Clients or prospective clients and to *Systems and Forecasts* subscribers the purchase or sale of securities in which SAM, its employees, officers and/or owners (collectively, "Related Persons") directly or indirectly, have a position or interest. Related Persons have two different types of personal or proprietary accounts. Certain Related Persons' accounts are managed by SAM according to the same strategy as Client accounts ("Managed Related Accounts") and other Related Accounts are managed by the Related Persons themselves according to a strategy that differs from SAM client account strategies ("Personal Accounts"). Both Personal Accounts and Managed Related Accounts (collectively "Related Accounts") may invest in the same securities as Client accounts at or about the same time as Client accounts. This creates various conflicts of interest because Related Persons may have an incentive to achieve better performance for Related Accounts than Client Accounts.

Nonetheless, SAM believes this conflict of interest is greatly mitigated by the fact that generally the securities SAM invests in for Client accounts are liquid and readily available investments. Furthermore, with respect to Personal Account trading SAM requires preclearance of any Personal Account trade that will be greater than 0.1% of the average daily trading volume for such security during the three-month period immediately preceding the date of such trade. In addition, SAM monitors Personal Account trades by reviewing transaction reports and holding reports required to be submitted under the Code. With respect to Managed Related Account

trading, SAM mitigates this conflict of interest by trading Managed Related Accounts according to its allocation policies described below.

### **Allocation Policies**

From time to time, it may be appropriate for more than one of the accounts managed by SAM to trade in the same securities at the same time. Generally, SAM determines prior to a trade the amount of securities it wishes to sell or purchase for Client accounts. For all accounts managed according to the same investment strategy SAM will generally (subject to the exceptions described below) invest or divest uniform percentages of each account's total assets in or from identical securities ("target percentages"). Target percentages are generally decided prior to placing an order. Portfolio Managers may consider some or all of the following factors in making decisions as to the amount of a security to purchase or sell for accounts held in a particular investment strategy: the strategy's investment objective, policies, restrictions, risk tolerance, time horizon, portfolio construction, tax sensitivity, desired market capitalization range, nature and size of accounts held in the strategy, suitability, tolerance for portfolio turnover, availability of cash or buying power, and whether the strategy's accounts are eligible to participate in a trade pursuant to compliance regulations. Sometimes specific accounts in the strategy will not be allocated the security or a lower amount of the security than the target percentage for the strategy because of the accounts' particular investment restrictions, risk tolerance, time horizon, tax sensitivity, nature and size, tolerance for portfolio turnover, liquidity and size limitations, availability of cash or buying power, and whether they are eligible to participate in a trade pursuant to compliance regulations.

When placing orders to purchase or sell the same security for more than one client, SAM seeks, but is not obligated, to aggregate, or bunch orders ("block trading") when SAM deems it appropriate and in the best interests of the client accounts. SAM may aggregate Client trades with Managed Related Account trades. All eligible accounts generally participate pro rata in the block purchases or sales according to the target percentage established for each participating account and bear pro rata the commission cost. All portions of a block trade executed through the same broker-dealer will be allocated at the average price obtained by the broker-dealer on that day.

If partial sales or purchases are made of equity securities, the allocation of the equity securities to the accounts shall be on the same ratio as the actual transactions bear to the intended target percentages. Exceptions to this policy may occur. For example, if one or more accounts would be unable to meet an investment objective, or if a pro rata allocation results in a de minimis allocation to certain accounts, SAM may deviate from the preallocation formula. When equity securities transactions are only partially filled, a conflict of interest arises to the extent SAM aggregates Managed Related Accounts orders together with Client orders. Under such circumstances, if the Manager Related Accounts were not to participate in such limited opportunities, the Client accounts would be able to receive or sell a greater percentage of the security. Consequently, when Manager Related Accounts participate in limited equity securities opportunities, they reduce the opportunity available to Client Accounts. As noted above, SAM expects this conflict of interest to arise infrequently because generally the securities SAM invests in for Client accounts are liquid and readily available investments.

In the case of partially filled orders in debt securities, because generally it is not practical to allocate pro rata and might in fact result in higher transaction costs to all participating accounts, the portfolio manager generally allocates such orders on a rotational basis, with the goal of achieving equitable treatment of all accounts over the long term. In such situations, Managed Related Accounts do not participate in such orders unless and until all Client needs are satisfied.

While SAM's goal is to be fundamentally fair to all Clients on an overall basis with respect to the allocation of investment opportunities, on a trade-by-trade basis some Clients may be treated more favorably than other Clients.

### **Principal Trades**

SAM does not engage in principal transactions with Client accounts and before it could do so it would have to secure applicable Client consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private investment fund and another client account.

### **Cross Trades**

From time to time, SAM may determine that it is in the best interest of its clients to cross trade securities between Client accounts. Adviser executes cross transactions by asking custodians that custody SAM's clients' assets to transfer on their internal ledgers securities from one managed account to another for no transaction fee or a reasonable transaction fee relative to the size of the transaction. SAM will not engage in a cross transaction until it determines that the particular trade is in the best interests of the client accounts involved in the trade. As a general matter, when SAM executes cross transactions between client accounts, it will price the securities involved in the transactions at the last sale price of the security or the average of the current highest independent bid and the current lowest independent ask price for the security. In the unlikely event that a cross trade occurs for a security cannot be fairly priced based upon the above criteria, SAM will price the securities based upon their fair value as determined by SAM.

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## **ITEM 12 – BROKERAGE PRACTICES**

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In connection with the execution of its securities transactions, SAM generally will have the authority to determine, without obtaining specific Client consent, the broker to be used and the commission rate paid.

SAM's selection of brokers is guided and/or limited by (i) its responsibility to act as a fiduciary when handling Clients' accounts; (ii) its obligation, to the extent applicable and subject to the conditions hereinabove specified, to select brokers who offer overall best execution on Clients' trades; and (iii) with respect to a Fund the Fund's Memorandum. SAM does not adhere to any rigid formulas in making its selection of brokers, but will weigh a combination of the criteria described below. Generally, SAM will recommend and use those brokers or dealers that it

determines in good faith offer the best prices given the quality of the brokerage (*e.g.*, execution, stability of capital base, competitive fee arrangements) such brokers or dealers provide and that SAM believes are reputable, reliable, financially responsible, and well established (“Best Execution Factors”). While SAM generally seeks reasonably competitive commission rates, it does not necessarily pay the lowest spread or commission available.

SAM participates in the institutional advisor programs (the “Programs”) including those offered by TD Ameritrade Institutional (TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”)); Raymond James and Associates, Inc.; Charles Schwab and Co., Inc.; and Fidelity Investments.

These brokers are unaffiliated SEC-registered broker-dealers and FINRA members. The Adviser Programs offered by these brokers offer independent investment advisers and their clients services that include custody of securities, trade execution, order routing, clearance and settlement of transactions. SAM’s clients usually custody their assets at one of these broker-dealers, and SAM will usually execute trades for its clients at the broker-dealer where the client custodies its assets. SAM at times also recommends a particular one of these brokers to a client for custody and execution.

There is no direct link between SAM's participation in the program and the investment advice it gives to its Clients, although SAM receives economic benefits through its participation in the Adviser Programs that are typically not available to retail customers of these brokers. These benefits may include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools including unsolicited third-party research (for example, from Standard & Poors or Moody’s); consulting services; access to a trading desk serving SAM participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to SAM by third party vendors. The brokers may also provide free attendance at conferences or seminars that they may sponsor. The brokers may also pay for business consulting and professional services received by SAM’s Related Persons.

SAM may not utilize every one of these benefits. Some of the products and services made available by a particular Adviser Program may benefit SAM but may not benefit its Client accounts or may benefit Client accounts that did not generate commissions for which the benefits were received including Client accounts custodied at other brokers. Some of the services made available by the Adviser Programs are intended to help SAM manage and further develop its business enterprise. The benefits received by SAM or its personnel through participation in the Adviser Programs do not depend on the amount of brokerage transactions directed to the broker-dealer. However, the commission rates charged by such brokers may be higher or lower than other brokers. As part of its fiduciary duties to Clients, SAM endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by SAM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence SAM’s choice of broker for custody and brokerage services.

In certain cases, Clients may direct that their own brokers be used. Individual Clients must approve and themselves make the deposits into brokerage houses and/or mutual fund accounts, and only they can request withdrawals of capital. Clients who direct the selection of brokerage in this way understand that in doing so:

- they may be restricting SAM's ability to obtain as favorable a transaction price or commission rate or overall best execution as might otherwise be obtainable;
- that the Clients' accounts may forego benefits from savings on execution costs that may otherwise be obtained, most notably by aggregating brokerage orders for various accounts; and
- that there may be additional credit and/or settlement risk in using the brokers they selected.

As part of its brokerage placement practices, SAM may use brokers that have referred or may refer Clients to it, which may include brokers that Clients direct SAM to use. See Item 14. If the broker to be used by SAM has referred Clients, or may refer Clients to SAM, SAM may have a potential conflict of interest between its duty to obtain best execution for a Client and its interest in receiving future referrals. A Client who is referred to SAM by a particular broker may instruct SAM to use that broker or a different broker to effect transactions for the Client's account. Commission rates charged by brokers that refer Clients to SAM or by brokers that Clients direct that SAM use may be higher or lower than the commission rates charged by other brokers that SAM uses.

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### **ITEM 13 – REVIEW OF ACCOUNTS**

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SAM's assessment of market conditions is reviewed at least weekly, and frequently on a daily basis. Client assets under discretionary management are reviewed on a generally daily basis but not less than weekly basis to determine current operating strategy and market position.

Client advice furnished through SAM's newsletter is updated bi-weekly via the newsletter and twice-weekly via a telephone/email hotline service.

Reviews are generally conducted by Marvin Appel (President) and by staff members who may have certain discretionary authority to act within specific guidelines under which SAM operates, including, but not limited to, certain valuation and other models that are employed.

Depending on their level of experience, reviewers (other than Marvin Appel) have responsibility for as few as 15 and as many as 220 accounts.

Clients receive copies of all transaction confirmations, periodic statements from brokerage houses and mutual funds (usually monthly), and quarterly statements from SAM as to the assets and progress of their accounts. These statements are written and are sent either as hard copies or electronically, according to each Client's preference.

Investors in Limited Partnerships under SAM's advisory management receive written monthly statements that show the previous month's net results, provide a statement of assets, and provide



the net value of the investor's account at month's end. Such investors are also furnished annual audited financial statements and partnership or limited liability company tax returns.

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#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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See Item 12 above for items SAM may receive from broker-dealers and the related conflicts of interest in receiving such items.

SAM may receive Client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, SAM may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with SAM and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise SAM and has no responsibility for SAM's management of Client portfolios or SAM's other advice or services. SAM pays TD Ameritrade an on-going fee for each successful Client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the Client pays to SAM ("Solicitation Fee"). SAM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by SAM from any of a referred Client's family members, including a spouse, child or any other immediate family member who resides with the referred Client and hired SAM on the recommendation of such referred Client. SAM will not charge Clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its Clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its Clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form which you may obtain by contacting SAM or TD Ameritrade.

SAM's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer Clients through AdvisorDirect to investment advisers that encourage their Clients to custody their assets at TD Ameritrade and whose Client accounts are profitable to TD Ameritrade. Consequently, in order to obtain Client referrals from TD Ameritrade, SAM may have an incentive to recommend to Clients that the assets under management by SAM be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. In addition, SAM has agreed not to solicit Clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. SAM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for Client accounts as described in item 12 above.

SAM may also pay referral fees to third parties, which may include broker-dealers or other investment advisers, who refer Clients to it for advisory services. As applicable, such arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

Other than the benefits described herein, SAM does not receive any economic benefits for providing advice to its Clients from anyone other than its Clients.

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#### **ITEM 15 – CUSTODY**

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SAM does not have actual custody of any Client assets. SAM, as managing member to the SRM Fund, is deemed to have custody of the Funds' assets under Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). See also Items 4 and 10 above. In accordance with the Custody Rule, audited financial statements are furnished annually to all investors in the Funds. As applicable to each Fund, investors may also receive periodic unaudited reports, account balances, commentary and/or other information regarding such Fund or their investment in such Fund. SAM is also deemed to have custody under the Custody Rule over those Client accounts for which it deducts its advisory fees from the Clients custodian without the preapproval of the Client. Generally, Clients will receive quarterly account statements from their custodians for their separately managed accounts including all Clients over which SAM is deemed to have has custody of their assets. SAM also sends quarterly statements for separately managed accounts to the holders of such accounts. Clients (and investors) are urged to carefully review all accounts statements and contact SAM if they have any questions. Separately managed account Clients are also urged to compare the quarterly account statements they receive from SAM to the quarterly statements they receive from their custodians and to contact SAM if they have any questions upon conducting such a review.

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#### **ITEM 16 – INVESTMENT DISCRETION**

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SAM provides investment advisory services to its Clients on a discretionary basis relating primarily to the investment of Clients' assets in mutual fund shares, as well as ETFs, individual stocks and bonds, and options. SAM has the authority to determine, without obtaining specific Client consent, the securities to be bought and sold and the amount of securities to be bought and sold. The particular selection of holdings in each Client's account depends on the Client's financial situation, investment objectives, tolerance for risk, and the prevailing market climate. Limitations on SAM's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to a Limited Partnership, the Limited Partnership's Memorandum.

On occasion, Clients may direct SAM to hold particular securities in their accounts on a long-term basis, notwithstanding any change in SAM's assessment of market conditions. Clients may also place reasonable restrictions on the type of securities SAM may purchase for their accounts (for example, due to tax considerations).

Prior to SAM assuming the discretionary management of any account, each Client must complete the paperwork necessary to grant SAM the authority to manage the Client's account(s). For individual Client accounts housed at a brokerage firm, the brokerage firm will also require separate written authorization from the Client granting SAM a limited power of attorney to manage the account but not to deposit or withdraw assets from it (except possibly to pay management fees).

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## **ITEM 17 – VOTING CLIENT SECURITIES**

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When granted the discretion to do so (which is generally the case), SAM's proxy voting policy is to vote all Client proxies in the Client's best interest on a case-by-case basis, considering such facts as it deems material. SAM's objective is to vote proxies, in its judgment, in a manner that is most likely to maximize the value of its Clients' investments.

SAM must act as a fiduciary when voting proxies on behalf of its Clients. In that regard, SAM will seek to avoid possible conflicts of interest in connection with proxy voting as follows:

Where SAM identifies a potential conflict of interest (such as if SAM or an Employee is affiliated or associated with an issuer or SAM holds the issuer's securities on a proprietary basis), SAM will initially determine whether such potential conflict is material. Where SAM determines there is a potential for a material conflict of interest regarding a proxy, SAM will take one or some of the following steps: (i) inform the Client of the material conflict and SAM's voting decision; (ii) discuss the proxy vote with the Client; (iii) fully disclose the material facts regarding the conflict and seek the Client's consent to vote the proxy as intended; and/or (iv) seek the recommendations of an independent third party. Any Employee who has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer, must so inform SAM's Chief Compliance Officer and recuse himself or herself from decisions on how proxies with respect to that issuer are voted.

SAM's President, Marvin Appel, oversees and manages the process by which it votes proxies. SAM's proxy voting policy and procedures are available upon request. Each advisory Client also may obtain SAM's proxy voting policy and procedures or a record of SAM's proxy voting for such Client by contacting Marvin Appel at (516) 829-6444. Clients may direct a vote with respect to any of the securities in their individual brokerage account by contacting Marvin Appel at the same phone number.

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## **ITEM 18 – FINANCIAL INFORMATION**

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SAM has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.