

# CARNE

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This Brochure provides information about the qualifications and business practices of CARNE CAPITAL, LLC (“Carne”). If you have any questions about the contents of this Brochure, please contact us at 610-896-7600 or [info@carnecapital.com](mailto:info@carnecapital.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.

CARNE CAPITAL, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

Pursuant to the current SEC Rules, it is our responsibility that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year on December 31. Carne Capital, LLC has not previously been required to provide a Brochure to its Clients.

Item 4 – Advisory Business was modified to update the assets under management as well as some adjustments to defined terms.

Item 5 – Fees and Compensation has been revised to clarify differences in the fee structures for mutual fund and separate account clients.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss was amended to include a description of the risks inherent in investing in non-U.S. companies.

Item 11 – Code of Ethics was changed to reflect revisions to the Code of Ethics which impose a one-calendar day blackout on personal trades in securities being transacted in by Clients.

Item 12 – Brokerage Practices description of allocation on other than a pro rata basis was revised to include portfolio manager's discretion to make allocations in the client's best interest.

Item 14 – Client Referrals and Other Compensation was modified to remove the specific payment references which may differ depending on the source of the referral.

Item 19 – Personnel was removed in its entirety. This information is only required for state-registered advisers.

Currently, our Brochure may be requested by contacting F. Sean Bonner, Chief Investment Officer at 610-896-7600 or [info@carnecapital.com](mailto:info@carnecapital.com).

Additional information about CARNE CAPITAL, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

Carne Capital, LLC (“**Carne**”) provides investment advisory services to open-end registered investment companies (“**mutual fund**”), institutional and government entity clients on a separate account basis. Carne was formed, and registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended, in December 2011.

Carne is wholly-owned by its founder and Chief Investment, Francis J. Sean Bonner (F. Sean Bonner).

Carne offers advisory services with respect to U.S. equity securities of large market capitalization companies and instruments that provide exposure to such securities.

Carne may tailor its advisory services to the needs of individual clients. Our mutual fund client’s advisory services are described in the Fund’s current Prospectus and Statement of Additional Information. Separate accounts are managed using the same advisory services as the mutual fund client. Separate account clients may place restrictions on purchase of particular securities, strategies and investments. Further, separate account clients may permit or require trading of portfolio securities to be conducted at only their designated firms (i.e., directed brokerage). It is possible that some of these firms may not have the capabilities to purchase certain securities that we may normally purchase for our mutual fund client.

Carne does not participate in any wrap fee programs.

As of January 10, 2013, Carne’s assets under management were approximately \$60 million, all of which are managed on a discretionary basis.

#### **Item 5 – Fees and Compensation**

As a general matter, Carne seeks to charge an annual asset based fee of 1.25% in connection with the investment advisory services it provides to its mutual fund and separate account clients. Advisory fees are earned based on a percentage of assets under management and may differ among our clients depending upon (i) the services rendered (e.g., mutual fund versus a separate account), or (ii) the size of the client’s account. All fees are subject to negotiation based on individual client circumstances, such as, but not limited to, type and size of the account and the type and amount of client related services we provide.

##### **Mutual Fund Clients**

The advisory fees for mutual fund clients are calculated based on the fund’s average daily net assets. With respect to the Carne Large Cap Value Fund, a series of Forum Funds and mutual fund client (the “**Carne Fund**”), Carne is contractually obligated to reduce its advisory fee and/or reimburse fund expenses with respect to the Carne Fund through March 1, 2013, in order to limit total fund operating expenses. With respect to any such fee waiver or expense reimbursements by Carne, Carne may be reimbursed by the Carne Fund under certain circumstances if such payment is made within three years of the fee waiver or expense reimbursement.

The advisory fee, if not waived, is accrued daily by the Carne Fund and is assessed based on average daily net assets for the prior month. The advisory fee is paid monthly. In addition to receiving its advisory fee from the Carne Fund, Carne may also be compensated as investment

manager for its separate account clients with respect to assets they invest in the Carne Fund. If a separately managed account client invests its assets in a mutual fund client, including the Carne Fund, Carne will credit an amount equal to all or a portion of the fees it receives from the mutual fund client against any advisory fee received from the separate account clients.

The Carne Fund has adopted a Rule 12b-1 plan under which it is authorized to pay to its distributor and any other entity authorized by its Board of Trustees, including Carne, compensation for distribution-related and/or shareholder services provided by such entities, an aggregate fee equal to 0.25% of the average daily net assets of Carne Fund's Investor Shares. Carne may pay any or all amounts received under the Rule 12b-1 plan to other persons for any distribution or service activity conducted on behalf of the Carne Fund. The plan is a core component of the ongoing distribution of the Carne Fund's Investor Shares. Pursuant to an agreement between the distributor and Carne, the distributor may reimburse certain distribution-related and/or shareholder servicing expenses incurred by Carne.

Receipt of such compensation for distribution-related or shareholder services with respect to the Carne Fund presents a conflict of interest, and gives Carne an incentive to recommend the Carne Fund as an investment for its other clients based on the compensation received, rather than based on client needs. Clients and prospects are always free to select their own investments and to ignore any recommendation from Carne to purchase a particular product. Clients and prospects are also free to purchase products recommended by Carne indirectly from a broker or agent of their choice rather than through us.

#### Separate Account Clients

For our separate account clients, our advisory fees are calculated based on the account's average net asset value calculated as of the end of each month. Carne bills separate account clients for advisory fees incurred on a quarterly basis.

Carne may, as authorized by clients, direct each client's account custodian to debit from the client's account and to pay Carne the advisory fee due from the account. Carne may, alternatively, deliver a fee invoice to clients for any amount equal to the advisory fee due from the client for payment directly from the client.

Carne's fees are exclusive of brokerage commissions and other transaction costs which shall be incurred by the client, as well as mutual fund and separate account fees which clients pay. Mutual funds charge certain other fees, which include but are not limited to, fund administration, fund accounting, compliance, legal, custody, transfer agency, distribution (Rule 12b-1 fees), trustee's fees and brokerage. Separate account clients may incur certain fees with respect to services provided by custodians, brokers, and other third parties such as custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

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

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

Carne does not currently charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

Carne does not participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## Item 7 – Types of Clients

Carne currently provides advisory services to a series of a registered investment company and separate accounts for pension fund clients. Carne may provide advisory services to individuals or institutions.

Carne has sole discretion as to the size of separate accounts it accepts. Minimum account size for the mutual fund that Carne advises is determined by the fund sponsor and not Carne. The Fund accepts investments in the following minimum amounts:

	Institutional Shares		Investor Shares	
	Minimum Initial Investment	Minimum Additional Investment	Minimum Initial Investments	Minimum Additional Investment
Standard Accounts	\$100,000	\$25,000	\$2,500	\$100
Retirement Accounts	\$100,000	\$25,000	\$1,000	\$100

**Small Account Balances.** If the value of an investor account falls below the minimum account balances in the following table, the mutual fund may ask the investor to increase their balance. If the account value is still below the minimum balance after 60 days, the fund may close the account and send the investor the proceeds. The Carne Fund will not close an investor account if it falls below these amounts solely as a result of the fund's performance.

Minimum Account Balance	Institutional Shares	Investor Shares
Standard Accounts	\$100,000	\$2,500
Retirement Accounts	\$100,000	\$1,000

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

Carne's investment strategy consists of recommendations for investment in equity securities of companies that meet our investment philosophy. Carne currently invests in companies with large market capitalizations and instruments that provide exposure to such securities. Large market capitalization companies are those U.S. listed companies with market capitalizations that are in the range, at the time of their purchase, of those of the companies in the S&P 500 Index.

Carne may recommend common and preferred stock, convertible securities, warrants, and rights. The mutual fund client may also invest in depositary receipts, including American Depositary Receipts (ADRs).

With respect to separate account clients, Carne will seek to maximize net long-term returns by investing primarily in the equity securities of companies domiciled in the U.S. Under normal market conditions, it is expected that the separate account will normally be fully invested, maintaining a 90-100% equity commitment level.

Equity holdings in companies domiciled outside the U.S. will not exceed 10% of the market value of the separate account's total portfolio calculated at the time of purchase.

Carne may invest up to 10% of the separate account's portfolio holdings in reserve and cash equivalent investments. However, these investments will be made on the basis of safety and liquidity, and only secondarily by yield available. Such securities shall reasonably carry the equivalent of S&P A1 or Moody P-1. Short-term reserves may be held in U.S. dollar denominated securities or investment vehicles available through the separate account client's custodian.

Carne's goal is to construct an actively managed portfolio of companies that are undervalued and exhibit the likelihood of exceeding market returns.

Carne intends to maximize the amount of long-term capital gains, including with respect to Section 1256 contracts (the gain on which is treated as 60% long-term capital gain and 40% short-term capital gain).

**The Adviser's Process.** Carne uses a value approach to select investments. Using this investment style, we seek securities selling at discounts to their underlying values and then hold these securities until their market values reflect their intrinsic values.

Carne uses a combination of quantitative and qualitative analysis to select securities. We begin with the universe of companies and apply a quantitative screen to reduce the number of companies eligible for investment. We then use a qualitative analysis to further reduce the universe of companies to that which is suitable for our clients and fits our investment objectives.

Carne uses traditional valuation measures such as price to earnings ratios, return on assets, price-to-book ratios and other fundamental measures. We may sell call options on the S&P 500 Index with respect to a substantial portion of our portfolio holdings to protect against a market decline over a short period of time. Generally, we intend to sell S&P 500 Index call options that are "out-of-the-money," meaning that the exercise price of the Index option is greater than the current cash value of the S&P 500 Index. We will sell options that are exchange-listed and that are "American Style" or "European Style." "American Style" options may be exercised at any time before the expiration date of the option. "European Style" options may only be exercised on the expiration date of the option.

As the seller of an Index call option, a client receives cash (the premium) from the purchaser. The purchaser of the Index call option has the right to any appreciation in the value of the Index over a fixed price (the exercise price) on a certain date in the future (the expiration date). The premium, the exercise price and the market value of the Index determine the gain or loss realized by the client as the seller of the Index call option. The client, in effect, sells the potential appreciation in the value of the S&P 500 Index in exchange for the premium. If, at the expiration of the option, the purchaser exercises an Index call option sold by the client, the client

will pay the purchaser the difference between the cash value of the Index and the exercise price of the Index option.

We continually monitor the investments in a client's portfolio to determine if there have been any fundamental changes in the companies or issuers. We may sell a security if:

- The security subsequently fails to meet our initial investment criteria;
- A more attractively priced security is found or if funds are needed for other purposes;
- or
- We believe that the security has reached its appreciation potential.

### **Additional Information Regarding Principal Investment Risks**

**Investing in securities involves risk of loss that clients should be prepared to bear. Listed below are specific risks associated with our investment strategy.**

**Counterparty Risk.** We may enter into financial instruments or transactions with counterparty. A counterparty may become bankrupt or otherwise fail to perform its obligations due to financial difficulties, jeopardizing the value of the client's investment. A client may experience significant delays in recovering an investment in a bankruptcy or other reorganization proceeding, and recover only a limited amount or none of its investment in such circumstances.

**Equity Risk.** Equity holdings we select for a client may decline in value because of changes in price of a particular holding or a broad stock market decline. These fluctuations could be a drastic movement or a sustained trend. The value of a security may decline for a number of reasons which directly relate to the issuer of a security, such as management performance, financial leverage and reduced demand for the issuer's goods or services. Common stocks in general are subject to the risk of an issuer liquidating or declaring bankruptcy, in which case the claims of owners of the issuer's debt securities and preferred stock take precedence over the claims of common stockholders. The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuation in the market value of the underlying securities.

**Focused Portfolio Risk.** A client's portfolio may be over-weighted in individual securities relative to other more diversified accounts. The increase or decrease of the value of a single stock held by a client may have a greater impact on its value and total return than if the portfolio were more broadly invested.

**Index Call Option Risk.** The purchaser of an index call option has the right to any appreciation in the value of the index over the exercise price on the expiration date. The exercise of index call options we sell will be settled in cash, and a client will not generally provide in advance for their potential settlement obligations by acquiring and holding the underlying securities. Instead, we intend to mitigate the risks of written index call positions by holding a diversified portfolio of stocks similar to those on which the S&P 500 Index is based. However, we do not intend to hold exactly the same stocks as are in the S&P 500 Index and, as a result, bear a risk that the value of the securities held in a client account will vary from the value of the S&P 500 Index. The premium received is the maximum profit a client can realize from written index options. The loss potential from writing an uncovered index option is generally unlimited. The value of written



index options, which will be priced daily, will be affected by changes in the value of and dividend rates of the securities in the index, changes in the actual or perceived volatility of the stock market and the remaining time to the options' expiration. The value of index options may be adversely affected if the market for the index options becomes less liquid or smaller.

**Management Risk.** We actively manage our client portfolios, and their performance, therefore, will reflect our ability to make investment decisions that are suited to achieving a client's investment objective. Due to its active management, a client could underperform other funds or accounts with similar investment objectives. Further, performance of our client accounts may deviate from overall market returns to a greater degree than other funds or accounts that do not employ a similar strategy.

**Market Events Risk.** Turbulence in the financial markets and reduced liquidity in equity, credit and fixed-income markets may negatively affect issuers worldwide, which could have an adverse effect on a client's account.

**Sector Risk.** Our portfolio investments may be more heavily weighted in one or more sectors or industries. Negative developments affecting those sectors or industries, such as adverse economic, political or regulatory events, may result in greater market risk and potential losses than a fund that is not weighted in those sectors or industries.

**Value Investment Risk.** We may invest in securities believed by us to be undervalued. The determination that the stock is undervalued is subjective, the market may not agree and the stock's price may not rise to what we believe is its full value. The value of the fund or account may decline, even if stock prices generally are rising because value stocks may fall out of favor with the market or react differently to market, political and economic developments.

**Non-U.S. Investments.** We may invest in securities of companies domiciled outside the United States. Such investments expose a client's account to a number of risks that may not exist in the domestic market alone. Such risks include, among other things, trade balances and imbalances and relate economic policies, currency exchange rate fluctuations, imposition of exchange control regulation, withholding taxes, limitations on the removal of funds or other assets, possible nationalization of assets or industries, political difficulties, and political instability in foreign nations.

## **Item 9 – Disciplinary Information**

Neither Carne nor Mr. Bonner has any disciplinary action against them.

As further described in the prospectus for the Carne Fund, Mr. Bonner is currently involved in litigation with respect to a business dispute with a former business associate regarding the rights and interests of a previous entity that had previously served as the adviser to the Carne Fund. Mr. Bonner believes the plaintiff's claims are without merit and has countersued on other causes of action.

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

F. Sean Bonner, our Chief Investment Officer, and Krister Hjelm, our Director of Equities are licensed as registered representatives of Foreside Financial Services, LLC, which is an unaffiliated broker-dealer who is the distributor of our mutual fund client. Because Foreside is a

private company independent of Carne, and does not execute trades or underwrite securities, we do not believe conflict of interest concerns are presented as a result of the relationship with Foreside.

Neither we nor our management persons are registered, or have an application pending, as a futures commission merchant, commodity pool operator, or commodity trading adviser.

We do not have any relationship or arrangement that is material to our advisory business or our clients with a related person (e.g., employees, officers, directors or other persons or entities that control Carne) who is a broker dealer, municipal securities dealer, government securities dealer or broker; any other investment company or other pooled investment vehicle; other investment adviser or financial planner; futures commission merchant, commodity pool operator, or commodity trading advisor; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of limited partnerships.

We may recommend that clients purchase the redeemable shares of the Carne Fund, for which we serve as investment adviser, and receive an advisory fee. Members of our firm frequently invest in the Carne Fund.

Because Carne serves as investment adviser to separate accounts, and because its employees and senior management may invest in the Carne Large Cap Value Fund, certain inherent potential conflicts of interest arise. Management of the separate account may involve different trading strategies and/or may be traded at different times than those employed for the mutual fund. We seek to address conflicts of interest relating to its trading of accounts through our trading policies, which are described in detail in the “Brokerage Practices” item of this Brochure below. Carne also seeks to address conflicts of interest relating to the personal trading activities of its employees and senior management through its Code of Ethics and personal trading policies, which are also described in detail in below.

We do not recommend or select other investment advisers for our clients.

#### **Item 11 – Code of Ethics**

Carne has adopted a code of ethics (the “**Code of Ethics**”) in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, in order to specify the standard of conduct expected of its directors, officers, employees and others persons under its supervision (“**Supervised Persons**”). Carne will, upon request, furnish clients with a copy of the Code of Ethics.

All of our Supervised Persons must comply with applicable federal securities laws. In particular, it is unlawful for us and any Supervised Person, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly:

- To employ any device, scheme or artifice to defraud any client or prospective client;
- To engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon any client or prospective client; or
- To engage in any fraudulent, deceptive, or manipulative practice.

In adopting the Code of Ethics, Carne recognizes that it, and its Supervised Persons owe a fiduciary duty to our client accounts and must (1) at all times place the interests of clients first; (2) conduct personal securities transactions in a manner consistent with this Code of Ethics and avoid any abuse of a position of trust and responsibility; and (3) adhere to the fundamental standard that Supervised Persons should not take inappropriate advantage of their positions. Supervised Persons must report any violations of the Code of Ethics to our Chief Compliance Officer.

Carne may recommend that clients invest in the Carne Fund for which it serves as investment adviser. This may be a conflict of interest because Carne receives advisory fees from the Carne Fund based on its average daily net assets. Carne is responsible for determining whether the recommended investment is suitable for a particular client, based on information provided by the client. Clients may also invest through other unaffiliated advisers or brokers.

### **Timing of Personal Transactions**

Our Supervised Persons may from time to time purchase or sell securities that we purchase for clients, which may be at or about the same time that such securities are bought or sold for client accounts. This may present a conflict of interest. Accordingly, these purchases or sales must be affected in accordance with our Code of Ethics, which includes a personal trading policy. Carne's personal trading policy states that

No Access Person may purchase or sell, directly or indirectly, any Security in which the Access Person or an Affiliate Account has, or by reason of the transaction acquires, any direct or indirect Beneficial Ownership if the Access Person knows or reasonably should know that the Security, at the time of the purchase or sale (i) is being considered for purchase or sale on behalf of any Client Account; or (ii) is being actively purchased or sold on behalf any Client Account.

If the Firm is purchasing/selling or considering for purchase/sale any Security on behalf of a Client Account, no Access Person may effect a transaction in that Security within one (1) calendar day prior to or after the client purchase/sale having been completed by the Firm, or until a decision has been made not to purchase/sell the Security on behalf of the Client Account. Improper Use of Information

No Supervised Person may use his or her knowledge about the securities transactions or holdings of a client account in trading for any account that is directly or indirectly beneficially owned by the Supervised Person or for any affiliated account. Any investment ideas developed by a Supervised Person must be made available to client accounts before the Supervised Person may engage in personal transactions or transactions for an affiliated account based on these ideas.

No Supervised Person:

- While aware of material nonpublic information about a company, may purchase or sell securities of that company until the information becomes publicly disseminated and the market has had an opportunity to react;
- Shall disclose material nonpublic information about a company to any person except for lawful purposes;
- May purchase any securities of companies that are clients, or whose senior management are clients, as for as long as the publicly traded company (or any member of its senior

management) is a client of Carne, unless expressly approved in advance by our Chief Compliance Officer.

All securities transactions, including transactions in mutual funds where Carne serves as adviser, must be reported to Carne's Chief Compliance Officer on a quarterly basis. All of our employees must submit on an annual basis a complete listing of all personal securities holdings and must certify annually that they have received, read and understand the Code of Ethics, and that they have complied with our Code of Ethics.

Violations of our Code of Ethics can result in serious sanctions, which may include letter of censure, disgorgement of profits, fines, restrictions on personal trading, dismissal from employment or referral to civil or criminal authorities.

## **Item 12 – Brokerage Practices**

In selecting or recommending broker-dealers for client transactions, we take into consideration whether broker-dealers can provide best execution. Where Carne has been delegated with the discretion to choose, or where we recommend, a particular broker-dealer to execute securities transactions for a client, Carne shall obtain best execution by seeking a broker-dealer that will execute the trade so that the total cost, proceeds and/or other value of the transaction is the most favorable to the client under the circumstances. In seeking best execution a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Carne will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

It is our policy, when placing aggregated client orders of securities simultaneously for more than one client (called “**block trades**”) or allocating limited investment opportunities among its clients, to allocate such orders and opportunities in a fair and equitable manner and in the best interests of all affected accounts.

Carne, in advance of placing a block trade will obtain the client’s consent to aggregate their trades in the investment management agreement with such client; ensure that each client will be treated fairly and will not favor any client over another; and ensure that the decision to aggregate a trade for a client is based on individual advice to that client. We may aggregate a block trade with an ERISA client and a “party in interest” provided certain conditions are met.

Once the foregoing prerequisites have been performed, Carne will either designate on the trade order memorandum, the number of shares of the block trade to be allocated to each specific account prior to placing the order; or make a *pro rata* allocation of the shares to each account based upon size of each client’s account.

When placing a block trade, Carne shall seek best execution on such trades; avoid holding cash and securities involved in an aggregated trade longer than necessary; and avoid receiving additional compensation as a result of the aggregation.

Client trades will be aggregated with affiliated accounts under the following conditions:

- Trades for clients are treated equally with those for affiliated accounts;
- Each participant in the trade will receive the average execution price and commissions; and
- Securities will be allocated in a fair and equitable manner pursuant to our policies and procedures.

In the event that the Chief Investment Officer determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include but are not limited to the following:

- When only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates;
- Allocations may be given to one account when that account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts;
- With respect to sale allocations, allocations may be given to accounts relatively lower in cash;
- In cases when a *pro rata* allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Carne may exclude the account(s) from the allocation and the transactions may be executed on a *pro rata* basis among the remaining accounts; or
- In cases where a small portion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis; or
- In other instances an allocation may be made in a manner deemed by the Chief Investment Officer (in consultation with the Chief Compliance Officer) to be fair and equitable to all accounts under the circumstances.

If an aggregated order is executed in a series of transactions over the course of the day, each account will receive the average execution price.

Carne will use its best efforts to make allocations on the same day. However, under no circumstances will it delay allocation so that it can allocate the more favorable prices received during the day to one account and the less favorable prices to another account.

Carne has developed policies and procedures concerning trade errors. Carne will ensure that the firm takes prompt and appropriate remedial action so that the error is resolved in the best interest of our clients.

Carne may accept research or other products or services (other than execution) from a broker-dealer or a third party in connection with client securities transactions. Such research, products, or services can be classified as “soft dollar benefit” or “other economic benefit.”

Carne may enter into arrangements with one or more broker-dealers whereby it receives some economic benefit in exchange for directing client transactions to that broker-dealer. In effect, the commissions paid by our clients generate these soft dollars that are used by us to pay for these soft dollar benefits. When we use client brokerage commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research created or developed by a third-party.

Soft dollar arrangements present an obvious conflict of interest for Carne. Carne has the incentive to direct client transactions to the broker-dealer that will provide it with the most soft dollar benefits, rather than on a client’s interest in receiving the most favorable execution. Nevertheless, Section 28(e) of the Exchange Act of 1934 (“**1934 Act**”) provides a safe harbor that expressly permits soft dollar arrangements provided certain conditions are met. These conditions include the requirement that soft dollars only be utilized to obtain brokerage and research services and provided that the commissions are reasonable in consideration of the economic benefit to be purchased with the soft dollars. Carne may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying up). If we “pay up” for research but meet the requirements of Section 28(e) of the 1934 Act, we will not be deemed to breach our fiduciary duty to clients even if the client pays a commission higher than the lowest commission available to obtain the research.

Carne uses the research for all of its client accounts, although a particular client may not benefit from all the research received on each occasion. Carne does not reduce the fees it charges a Client due to its receipt of research services. Since most of Carne’s brokerage commissions for research are for economic research on specific companies or industries, and since Carne follows a limited number of securities, most of the commission dollars spent for industry and stock research directly benefit a client. With respect to ERISA clients, all soft dollar benefits will conform with Section 28(e).

In connection with trading securities for our clients, we utilized an unaffiliated broker to effect these transactions. During our last fiscal year, we obtained subscriptions to software and research from this unaffiliated broker with client brokerage commissions.

If we utilize the services of a financial institution that provides Carne with economic benefits, we will not be deemed to breach our fiduciary duty to clients even if the clients pay a commission higher than the lowest commission available to obtain such economic benefits so long as certain conditions are met. These conditions include the requirement that such other economic benefit is in the best interest of the clients and that the benefit is disclosed to clients.

Carne does not consider, in selecting or recommending broker-dealers, receipt of client referrals from a broker-dealer or third party.

Carne routinely recommends that securities transactions be executed through an unaffiliated broker. This may appear to present a conflict of interests for Carne because we receive soft dollar benefits from such unaffiliated broker. The quality of the execution from the unaffiliated

broker has been determined to be more than adequate and consistent with Carne's Best Execution Policies. This conclusion was reached by evaluating the promptness of execution reports, responsiveness of the broker's representatives, speed of execution, the ability to trade via a secure fixed connection, the ability to trade equities and options on multiple platforms, the willingness of the broker to commit their capital to facilitate our trades, the broker's creditworthiness and the character of its representatives we deal with. Lower commission rates are available in the market place but because of the research service provided by the unaffiliated broker and the overall quality of execution, Carne is obtaining the best execution available.

#### Client-directed Brokerage

A client may direct Carne in writing to use a particular broker-dealer to execute some or all transactions for the client ("**Directed Brokerage**"). In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and we will disclose to the client that the Carne will not seek best execution from other broker-dealers. As a result of the Directed Brokerage arrangement, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Using Directed Brokerage may cost clients more money, as we may be unable to achieve most favorable execution of client transactions. Any Directed Brokerage arrangement may result in the inability of Carne to include trades for a particular client in block orders if the aggregated transaction is executed through a broker or dealer other than the one that has been selected by the client. The benefits of a blocked transaction will not be extended to the client in that situation. Where the client has a Directed Brokerage arrangement that would result in additional operational difficulties, Carne may choose to terminate the investment advisory relationship.

#### **Item 13 – Review of Accounts**

Carne has an ongoing obligation to review and update the suitability determinations that it has made for clients. Carne's Chief Investment Officer, F. Sean Bonner, periodically conducts a review of Carne Fund. For our separate accounts, Mr. Bonner will review the accounts on a regular basis for compliance with its investment guidelines (monthly or more frequently). Our review will require us to periodically contact clients regarding their investment parameters. However, the ultimate responsibility to provide us with current information regarding their investment parameters rests with the client. Current information about the client's investment parameters will be used in order for Carne to make determinations whether current investments in the client's portfolio continue to remain suitable for that client.

Carne provides a written investment report to our the Carne Fund Board of Trustees on a quarterly basis, and the Carne Fund provides annual and semi-annual reports to shareholders. The Board report typically includes, detailed portfolio holdings, and a performance summary compared to the target benchmark. The Fund's annual and semi-annual reports to shareholders contain the information required by Securities and Exchange Commission rules.

For our separate account clients, Carne or the account's custodian will provide a written monthly statement that includes the portfolio composition, position by individual securities, and all principal and income cash transactions. At the client's request, Carne will provide a written quarterly report to the separate account which reviews any changes in our organizational

structure, changes in assets/accounts, a summary of investment guidelines, a review of the investment process and evaluation of the portfolio management process, a performance review, certain information concerning derivative investments, if any, and portfolio holdings.

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

Carne pays out of its own resources an unaffiliated party for providing sales and marketing services in connection with the offering of our advisory services, including shares of the Carne Fund. Carne pays the unaffiliated party 5 basis points on assets referred.

#### **Item 15 – Custody**

Carne does not have actual physical custody of any client's funds or securities. Separate account clients will receive an account statement from the custodian.

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

Carne has discretionary authority from our clients to select the identity and amount of securities to be bought or sold. However, such discretion is to be exercised in a manner consistent with the stated investment policies and objectives for the particular client account. When selecting securities and determining amounts, Carne observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Carne in writing.

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

Carne has adopted policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act of 1940, as amended. If Carne is selected to vote proxies the firm will follow its proxy voting policy and procedures.

It is our policy to only accept the responsibility to vote proxies on behalf of mutual fund clients and institutional clients, and to delegate to a non-affiliated third party vendor ("**Proxy Vendor**"), the responsibility to review proxy proposals, make recommendations on those proposals and vote such proxies in the best interest of the client.

Carne relies on a Proxy Vendor to cast proxy votes in a manner consistent with the best interest of our clients or, to the extent applicable, their beneficiaries.

The Proxy Vendor may occasionally inform Carne that it is subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes.

If Carne becomes aware of any potential or actual conflict of interest of the Proxy Vendor relating to a particular proxy proposal, our Chief Compliance Officer will promptly notify the Proxy Vendor not to vote that proxy and will instead cause Carne to vote that proxy. Carne will take the following steps to ensure that such a proxy voting decisions are made in the best interest of its clients and are not the product of such conflict:

- Where the guidelines of the Proxy Vendor outline a voting position, as either "for" or "against" such proxy proposal, voting will be accordance with the those guidelines.



- Where the Proxy Voting Guidelines outline the Proxy Vendors voting position to be determined on a “case-by-case” basis for such proxy proposal, or such proposal is not contemplated in the Proxy Vendor’s guidelines, then one of the two following methods will be selected by the Chief Compliance Officer depending upon the facts and circumstances of each situation and the requirements of applicable law:
  - Voting the proxy in accordance with what the Chief Compliance Officer determines to be the best interest of the clients after review of the facts and circumstances of the proxy proposal; or
  - Provide the client with sufficient information regarding the proxy proposal and obtain the client’s consent or direction before voting.

Carne will provide to any client, at no cost, a copy of its voting policies and procedures and information regarding how proxies have been voted in the past. Clients wishing to receive this information should contact Carne by telephone during normal business hours.

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

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about Carne’s financial condition. Carne has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.