
PART 2A OF FORM ADV: FIRM BROCHURE

THE PORTFOLIO STRATEGY GROUP, LLC

The Portfolio Strategy Group, LLC
81 Main Street
Suite 122
White Plains, NY 10601
Telephone: (914) 328-6660
Fax Number: (914) 328-6670
<http://portfoliostrategiesgroup.com/>

This brochure provides information about the qualifications and business practices of The Portfolio Strategy Group, LLC. If you have any questions about the contents of this brochure, please contact us at (914) 328 - 6660. 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.

Additional information about The Portfolio Strategy Group, LLC also is available on the SEC's website at www.advisorsinfo.sec.gov.

Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Effective as of 12/31/2012

Item 2 Material Changes

MATERIAL CHANGES

Effective December 31, 2012, Portfolio Strategy Group, LLC (“PSG”) succeeded to the advisory business of Portfolio Strategy Group, Inc. (the “Prior Adviser”). As part of the succession, PSG has become part of the Focus Financial Partners, LLC (“Focus”) network. Further information regarding this change is found within Item 4 of this brochure. In addition, the PSG Opportunity Fund, LLC is in the process of final liquidation and no longer available to investor.

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Item 4 Advisory Business

A. Advisory Firm

The Portfolio Strategy Group, LLC (“PSG”) is a Delaware limited liability company that provides investment advisory services to clients since 2012. The Portfolio Strategy Group, Inc., (the “Prior Adviser”) which is the predecessor firm to PSG, was founded in 1990 and had been in business for over 20 years.

PSG is a wholly-owned subsidiary of Focus Operating, LLC, which is a wholly-owned subsidiary of Focus Financial Partners, LLC, a Delaware limited liability company (“Focus”), www.focusfinancialpartners.com. 81 Main Services, LLC, a Delaware limited liability company (“Service Co.”), provides management, supervision, oversight and operational support services to PSG, pursuant to a Management Agreement with Focus and PSG. Richard Yoken, Edward Scharf, Lawrence Bartimer, Peter Yorkes and Thomas Zottner (the “Principals”) are the owners and officers of Service Co., and in addition, the Principals hold the key officer titles with PSG, as they did with the Prior Adviser. The activities of Service Co. and the Principals are included in the Form ADV of PSG filed with the SEC. The Service Co. is fully subject to PSG’s operating, internal control and compliance policies and procedures. For convenience, references to PSG in this document include the Service Co. PSG in virtually all respects is continuing the advisory business of the Prior Adviser.

B. Types of Advisory Services

(1) Separately Managed Accounts

PSG provides discretionary investment advisory services to individuals and institutional investors, (collectively, “Clients”). Such Client accounts are managed in accordance with specific Client requests, needs and objectives and pursuant to a written investment advisory agreement.

Clients are required to have a minimum of \$1 million in assets under management with PSG, which PSG may negotiate and agree to a lower amount.

PSG provides investment advisory services to the following types of persons:

- Individuals; including High Net Worth Individuals
- investment companies;
- pension and profit sharing plans;
- trusts, estates, or charitable organizations;
- corporations or business entities other than those listed above; and

- a private university's endowment fund and plant and equipment fund.

Types of Investments

PSG provides advice with respect to:

- Equity Securities - including exchange-listed securities, securities traded over-the-counter and foreign issuers;
- Corporate Debt Securities - including Bonds and Commercial Paper;
- Warrants;
- Certificates of Deposit;
- Municipal Securities;
- Investment Company Securities - Mutual Fund Shares (excluding insurance products);
- U.S. Government Securities;
- Options Contracts on securities (excluding commodities);
- Distressed Securities;
- Partnership Interests - including investing in private investment partnerships and venture capital funds investing in securities;

PSG also selects, monitors, rebalance the amount of assets managed by and, if necessary, change investment managers ("Managers") of Client accounts.

(2) Funds of Hedge Funds, Hedge Funds and Other Pooled Investment Vehicles

PSG acts as the investment manager and adviser to the PSG Fund, LLC, (the "PSG Fund") and the PSG Offshore Fund, Ltd.(the "Offshore Fund") (together with the US Fund and collectively, with the Offshore Fund, the "Client Funds"). The US Fund is a Delaware limited liability company. The Offshore Fund is an international business company incorporated with limited liability in the British Virgin Islands.

The Offshore Fund invests substantially all of its assets in the PSG Fund. Each of the Client Funds is fund of hedge funds; and, therefore, each fund invests substantially all of its assets in other pooled investment vehicles. PSG may in the future form and provide investment advisory services to other pooled investment vehicles.

With the exception of individuals who are officers, directors, employees or affiliates of PSG and their family members, the types of investors for the Client Funds are limited to persons who are:

- an "accredited investor" within the meaning of Regulation D of the Securities Act of 1933, as amended; and
- a "qualified purchaser" within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended, and
- "qualified clients" as defined in Rule 205-3(d)(1) of the Investment Advisers Act of 1940, as amended.

Minimum investment in the Client Funds: \$500,000. However, PSG may waive the minimum investment amount as it may determine in its sole discretion.

C. Tailored Investment Advisory Services

PSG tailors its investment advice based on the individual needs of its Clients and Client Funds. Clients may impose restrictions on the types of investments, including (i) the types of securities PSG may invest in for such client's accounts and (ii) a limitation on the amount or percentage of assets that may be invested in a particular asset class or type of investment. A prospective client may impose such restrictions when the investment adviser and client relationship is established or at any time that the client provides written notice to PSG.

The Client Funds have not imposed any restrictions on the types of investments that PSG may make and PSG has wide discretion to invest the assets of any of the Client Funds. However, such discretion is limited by the investment objectives and strategy of each Client Fund.

D. Wrap Fee Programs

PSG does not participate in wrap fee programs.

E. Assets Under Management

PSG has approximately \$1 billion in client assets under management on a discretionary basis, as of December 31, 2012.

Item 5 Fees and Compensation

Separately Managed Accounts

A. Compensation - Fees

Clients with separately managed accounts advised by PSG will pay management fees to both PSG and to any Manager that provides investment advisory services to such Clients. PSG negotiates to reduce the Managers' management fee on behalf of its Clients, and, in most cases, PSG is successful. PSG's management fees are due quarterly and are paid in advance.

Clients pay PSG fees for services as follows:

- Upon request, PSG will perform a detailed analysis of a current portfolio and its historical results, including formulating an investment strategy, for which PSG charges a negotiated fee based on the amount of work involved in reviewing current investments, historical results and other relevant information. PSG does not charge a fee for formulating an investment strategy to those who become an investment advisory client of PSG.
- For selecting Managers, placing Clients funds with Managers, monitoring and reviewing their performance, PSG charges an annual fee for equity and balanced accounts equal to 0.7% (0.175% quarterly) of the first \$10,000,000 of Client assets, plus 0.5% (0.125% quarterly) of amounts in excess of \$10,000,000 of Client assets.

In addition to these management fees paid to PSG, Clients are also responsible for the management fees owed to any selected Managers that provide investment advisory services to such Clients. The selected Managers generally charge annual management fees from 0.5% - 1.6% of Client assets as negotiated by PSG, which is discounted from the Managers' normal management fee rate. The Manager's management fees may be due quarterly either in advance or in arrears.

- For PSG's management of Clients' fixed income portfolios, an annual fee equal to 0.5% (0.125% quarterly) of the assets under management. For specialized short duration portfolios, the fee may be reduced, as determined and negotiated by the Client and PSG.

Please refer to Item 4 for the minimum assets under management required to become a client of PSG.

PSG may charge lower fees than those set forth above for (i) Clients with \$10 million or more in assets under management, (ii) those who were Clients prior to 1994, (iii) Clients who were referred by a particular accounting firm, and (iv) in other limited circumstances as PSG may determine in its sole discretion.

Client assets may be invested temporarily in money market funds and such money market funds automatically assess a management fee which is in addition to the fees charged by PSG as set forth above.

B. Fees Deducted From Client Accounts

Clients are billed by invoice sent to the custodian each calendar quarter for the management fee and performance allocation or fee, discussed in Item 5(A), above. The fees are paid from the relevant Client's account.

C. Other Fees or Expenses

For smaller accounts or accounts invested in specialized areas, Client assets are invested in mutual funds. For cash balances, Client assets are invested in money market accounts. Each Client pays all of the related management, trading, custodian and other related expenses including: brokerage commissions, margin interest and other transaction, borrowing and custodial expenses and any money market fees incurred. Client assets that are invested in mutual funds are either placed in no-load mutual funds or PSG negotiates a waiver of mutual fund sales fees.

Please refer to Item 12 for more information on brokerage practices.

D. Prepayment of Fees.

The management fee (see subparagraph A above) paid to PSG and some of the Managers are prepaid quarterly in advance. If the investment management agreement is terminated, the management fee paid to PSG will be pro-rated and charged for that quarter only up to the date of termination. Any unearned fees will be credited back to the Client's account.

E. No Compensation for Sale of Securities or Other Investment Products

Neither PSG nor its supervised persons accept compensation for the sale of securities or other investment products.

Item 5 Fees and Compensation (con't)

Hedge Funds and Other Pooled Investment Vehicles

A. Compensation - Fees

The investors in the Client Funds pay PSG a quarterly management fee of 0.25% (i.e., approximately 1% annually) of the Client Funds' assets in arrears.

In addition, each investor in a Client Fund pays PSG an annual performance allocation or fee of 10% of the appreciation of the investor's capital account, in arrears and net of certain expenses, subject to a "high water mark" and subject to certain minimum annual performance requirements. The management fee and performance allocation or fee are charged to the capital accounts for members of the PSG Fund and shareholders of the Offshore Fund based on the members' and shareholders' percentage interests in the respective Client Funds.

PSG may, in its sole discretion, waive or reduce the fees paid by any member or shareholder of the Client Funds. PSG may negotiate specific investment terms for some prospective investors in the Client Funds that will differ from the terms applicable to other investors.

B. Fees Deducted From Client Accounts

Client Funds are billed by invoice sent to the custodian each calendar quarter for the management fee and performance allocation or fee, discussed in Item 5(A), above. The fees are paid from the relevant Client Fund's account and credited or reallocated to PSG's account with the custodian.

C. Other Fees or Expenses

Each Client Fund pays for certain of its ongoing expenses, as follows:

- legal, compliance, tax, accounting, auditing and administration expenses incurred directly on its behalf;
- any extraordinary expenses (such as litigation, indemnification and other costs);
- organizational expenses;
- for the Offshore Fund, its proportionate share of the Master Fund's transaction and custodial expenses, as well as, its proportionate share of the Master Fund's legal, compliance, tax, accounting, auditing, administrative expenses incurred directly on their behalf and any extraordinary expenses (e.g., litigation); and
- the costs of the continuing offering (other than any sales commissions payable to third parties for sales of Interests).

The Client Funds reimburse PSG for any administrative, operating or other expenses that it advances or incurs on the Client Fund's behalf. PSG bears its own routine expenses, including the salaries of its personnel, rent, utilities and other overhead expenses.

Please refer to Item 12 for more information on brokerage practices.

D. Prepayment of Fees

The Client Funds are not responsible for the prepayment of management fees.

E. Compensation for Sale of Securities or Other Investment Products

Neither PSG nor its supervised persons accept compensation for the sale of securities or other investment products.

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

Please refer to Item 5 for information regarding management and performance-based fees. PSG only charges a management fee, and not a performance based fee, for separately managed accounts. PSG charges both a management fee and a performance based fee for its Client Funds. By managing accounts with a management and performance-based fee, whereas some accounts are charged only a management fee, PSG has an incentive to favor the accounts that may charge both management and performance-based fees. PSG takes the time necessary to analyze each Manager's performance each quarter and rebalance a Client's account to potentially realize the best investment returns for its Clients. In addition, the separately managed accounts receive advice from several experienced Managers. Moreover, PSG directly manages fixed income portfolios which do not require high frequency trading. PSG allocates its time based on the needs of each Client's portfolio and specific type of activity provided to its Clients and Client Funds, and has a staff of experienced investment professionals to manage its business.

Item 7 Types of Clients

Types of Clients and Minimum Account Size

Please refer to Item 4 above.

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

A. Methods of Analysis and Investment Strategies

PSG's method of analysis includes:

Bond Portfolios. PSG conducts a fundamental review of bonds (corporate, municipal and government issuers) that includes a review of economic and financial information of the issuers of each bond. PSG reviews information available from third-party sources including, information available through Bloomberg and the SEC's website. PSG's analysis of economic and financial information includes, among other things, discounted cash flow, EBITDA (earnings before interest, taxes, depreciation and amortization), quality of earnings, and the issuer's capital structure).

Equity Portfolios. PSG conducts an extensive review of equity Managers to select managers for Client assets. PSG reviews their historical returns, management experience, investment styles and other factors and applies its own proprietary criteria to analyze and select the Managers. PSG sends senior investment professionals to conferences designed for hedge fund professionals to learn about particular hedge funds, their management and industry trends in the U.S. and international capital markets.

Equity Income Accounts. PSG analyzes individual stocks and bonds using third-party data, including the sources listed below. PSG's analyses include a review of economic, financial and other information. The information may include, among other things (i) economic and financial matters, discounted cash flow, growth in corporate dividends EBITDA (earnings before interest, taxes, depreciation and amortization), quality of earnings, and the issuer's capital structure), (ii) legal and regulatory issues, (iii) industry trends for the issuer and a review of the issuer's main competitors and (iv) macro-economic considerations.

The main source of PSG's information includes, among other things:

- Bloomberg;
- financial newspapers and magazines;
- third-party research materials;
- corporate rating services, corporate annual reports, prospectuses and other filings with the Securities and Exchange Commission;
- corporate press releases; and
- money management services (e.g., Morningstar and PSN Data Services).

Investment strategies used for PSG Clients by Managers and hedge funds include, but is not limited to: taking long positions (securities held over one year), short term positions (securities held less than one year), trading (securities sold within 30 days), margin transactions (using some

leverage to purchase securities), option writing (including covered options, uncovered options or spreading strategies), investing temporarily in money market funds.

B. Material Risks for each Significant Method of Analysis or Investment Strategies

Investing in securities and following PSG's investment strategy and advice may result in a loss of some or all of a client's assets under management with PSG. Investors in the Client Funds and any future pooled investment vehicles managed by PSG may lose some or all of their investments in such funds. Clients and investors in Client Funds and such other investments managed by PSG should be able to bear such an economic loss.

The Offshore Fund, rather than making investments directly, invests all of its assets in the PSG Fund, less amounts retained for operating expenses. All portfolio investments are held at the PSG Fund level. Only if this "Master-Feeder" structure is unwound would the Offshore Fund make portfolio investments directly and then such portfolio investments would be held directly by it. The master-feeder fund structure and, in particular, the existence of multiple investment vehicles investing in the same portfolio presents certain risks to investors, including the increased costs associated specifically with investing through the PSG Fund, LLC (which are borne on a pro-rata basis by the various entities investing in the PSG Fund, LLC). Similarly, the PSG Fund may become less diverse due to redemption by a larger investment vehicle, resulting in increased portfolio risk.

Moreover, where a Manager selected by PSG engages in frequent trading as a part of an investment strategy for certain Clients, the return on investment for such Clients may be lower due to increased brokerage and other transaction costs.

C. Material Risk for Particular Types of Securities

General Material Risks:

Stock Market Risk

A Client's investment in securities and other investments may be affected by general economic conditions such as prevailing economic growth, inflation and interest rates. When economic growth slows, or interest or inflation rates increase, equity securities tend to decline in value. Such events could also cause companies to decrease the dividends they pay. If these events were to occur, the total return earned on and the value of a Client's investment could decline.

Equity, Convertible and Preferred Securities

Investments may include long and short positions in common stocks, preferred stocks and convertible securities of U.S. and foreign issuers, as well as, depositary receipts for foreign securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as change in earnings forecasts. Depending on the relationship of the conversion price to the market value of the underlying securities or other

factors, convertible securities and preferred shares may trade like equity securities. Moreover, PSG may select investments in equity, convertible and preferred securities without restriction as to market capitalization, including securities issued by smaller capitalization companies, including micro-cap companies.

Material Risks Generally Applicable to a Fund of Hedge Funds, Possible Investments by Some Selected Managers or Individual Hedge Funds:

Credit and Rating Risk

Investments may include debt securities or debt instruments with credit or rating risk. Credit risk relates to the ability of the issuer of a debt security to meet interest or principal payments or both as they become due. In general, lower-grade, higher-yield debt securities are subject to credit risk to a greater extent than lower-yield, higher-quality debt securities. The lower the rating of a debt instrument, the more speculative its characteristics, and the more likely that changes in economic or other circumstances will lead to an inability of the issuer to make principal and interest payments.

Options

Investments may include options contracts, so-called “synthetic” options or other derivative instruments written by broker-dealers or other financial intermediaries. Options transactions may be effected on securities exchanges or in the over-the-counter market. When options are purchased over-the-counter, the Client bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Such options may also be illiquid and, in such cases, Client may have difficulty closing out the Client’s position.

Warrants

Investments may include warrants, which are derivative instruments that permit, but do not obligate, the holder to purchase other securities over a specified period of time. Warrants do not carry with them any right to dividends or voting rights. A warrant ceases to have value if it is not exercised before its expiration date.

Restricted and Illiquid Investments

Investments may include restricted securities and other investments that are illiquid. Restricted securities are securities that may not be sold to the public without an effective registration statement under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration under the Securities Act.

Where registration is required to sell a security, the Client or Client Fund may be obligated to pay all or part of the registration expenses, and a considerable period may elapse between the decision to sell and the time the Client or Client Fund may be permitted to sell a security under an effective registration statement. PSG may be unable to sell the restricted and other illiquid

securities purchased for the Client or Client Fund at the most opportune times as PSG is not likely to be able to force an issuer of restricted or illiquid securities to register those securities.

Derivatives

Investments may include derivatives. These are financial instruments that derive their performance from the performance of an underlying asset, index or interest rate. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative. Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in a derivative could have a large potential impact on the performance of a Client's account. A Client could experience losses if derivatives do not perform as anticipated, or are not correlated with the performance of other investments that they are used to hedge, or if the Client is unable to liquidate a position because of an illiquid secondary market. The market for many derivatives often is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Distressed Securities

Investments may include "distressed securities" securities, private claims and obligations of domestic and foreign entities that are experiencing significant financial or business difficulties. Distressed securities may result in significant returns to the Clients and investors in the Client Funds but also involve substantial risk. The Clients and investors in the Client Funds may lose a substantial part or all of its investment in a distressed issuer or may be required to accept cash or securities with a value less than the Client's or Client Fund's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of distressed instruments are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of these instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required, which can be time-consuming, expensive, and lead to unpredictable delay or losses.

Special Situations

Investments may include companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other changes or similar transactions. In any investment opportunity involving a special situation, there is the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which may be less than the Client's or Client Fund's investment in the security or other financial instrument. Furthermore, if an anticipated transaction does not occur, PSG may have to sell the Client's or Client Fund's investment at a loss.

Structured Securities

Investments may include structured securities. The value of the principal or interest on those securities is determined by reference to changes in the value of specific currencies, interest rates, commodities, indices or other financial indicators (“Reference”) or the relative change in two or more References. The interest rate or the principal amount payable upon maturity or redemption may be increased or decreased depending upon changes in the Reference. The terms of the structured securities may provide in certain circumstances that no principal is due at maturity and, therefore, may result in a loss of the Client’s or Client Fund’s investment. Changes in the interest rate or principal payable at maturity may be a multiple of the changes in the value of the Reference. Consequently, structured securities may entail a greater degree of market risk than other types of fixed income securities.

For a more detailed list of risk factors, investors in the Client Funds should consult the appropriate confidential offering memorandum.

Item 9 Disciplinary Information

Not Applicable. There are no criminal or civil proceedings, administrative proceedings or self-regulatory matters to report.

Item 10 Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

None.

B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser Registration Status

PSG relies on certain exemptions under the Commodity Exchange Act and its rules with respect to commodity pool operator and commodity trading adviser registration. PSG has no activities or affiliations with futures commission merchants.

C. Material Relationships or Arrangements with any of the following:

(1) Broker-Dealer, Municipal Securities Dealer, or Government Securities Dealer or Broker

None.

(2) Investment Company or other Pooled Investment Vehicle

See Item 4(b)(1).

(3) Other Investment Adviser or Financial Planner

PSG is an indirect subsidiary of Focus, which also owns and controls other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial services firms (the "Focus Affiliates"). The Focus Affiliates may provide, among other services, wealth management, benefit and other investment consulting services that may serve individuals, families, employers and institutions. Some Focus Affiliates also manage or advise limited partnerships, private funds or limited liability companies as disclosed on each firm's Form ADV Schedule D.

PSG's clients are not solicited to invest in any other Focus Affiliates' advisory services or products and the Focus Affiliates do not recommend securities, services, or other investment products of PSG. Further, PSG and the Focus Affiliates do not market services or share client information between each other, and management of the other Focus Affiliates is not involved in the management of PSG.

A list of the affiliated investment advisers and broker-dealers can be found on PSG's Form ADV Part 1 Schedule D, which is available on the SEC's website,

www.adviserinfo.sec.gov. Additional information about Focus and the Focus Affiliates can be found at www.focusfinancialpartners.com.

(4) FCM, CPO, CTA

None, except to the extent that other Focus Affiliates may be registered with the CFTC as CPOs/CTAs or rely on CPO and CTA exemptions from registration. (As noted above, PSG relies upon exemptions from CPO registration and CTA registration.)

(5) Banking or Thrift Institution

None.

(6) Accountant or Accounting Firm

Refer to Item 14(B).

(7) Lawyer or Law Firm

None.

(8) Insurance Company or Agency

None.

(9) Pension Consultant

None.

(10) Real Estate Broker or Dealer

None.

(11) Sponsor or Syndicator of Limited Partnerships

None.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

PSG recommends and selects Managers for its Clients. However, PSG is not paid (directly or indirectly) any compensation by the selected Managers. See also Item 5 re compensation.

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

A. Code of Ethics

PSG strives to adhere to the highest industry standards of conduct based on principals of professionalism, integrity, honesty and trust. In seeking to meet these standards, PSG has adopted a code of ethics (the “Code”). The Code incorporates the following general principles that all principals and employees are expected to uphold:

principals and employees must at all times place the interests of Clients (including the Client Funds) first;

all personal securities transactions must be conducted in a manner consistent with the Code;

any actual or potential conflicts of interest or any abuse of a principal’s or employee’s position of trust and responsibility must be avoided;

principals and employees must not take any inappropriate advantage of their positions with PSG;

information concerning the identity of securities and financial circumstances of the Clients,

including investors in the Client Funds, must be kept confidential (subject to any legal or regulatory requirement to disclose such information); and,

independence in the investment decision-making process must be maintained at all times.

The foregoing is only a summary of PSG’s code of ethics, you may request a copy of PSG’s code of ethics from Mr. Peter Yorkes, Chief Compliance Officer: The Portfolio Strategy Group, LLC, 81 Main Street, White Plains, NY 10601.

B. Securities that PSG or A Related Person Has a Material Financial Interest

PSG permits its principals and employees to invest for their own or related accounts in securities purchased for PSG’s Clients, including the Client Funds.

Principals and employees of PSG will not act for their own or related accounts in anticipation of a research report or purchase or sell recommendation for a client or otherwise on the basis of material non-public information. All transactions instituted by principals or employees are required to be reported to PSG’s Chief Compliance Officer monthly.

PSG (and its members, employees and affiliates) may serve as investment adviser to Clients accounts and conduct investment activities for its own account. Some Clients may have investment objectives or investment strategies similar to or different from those of PSG or its other Clients, including the Client Funds. PSG (and its members, employees and affiliates) may give advice or take action with respect to some Clients that differs from the advice given with respect to PSG or its other Clients, including the Client Funds.

To the extent a particular investment is suitable for more than one client (including PSG’s members, employees and affiliates), purchased securities will be allocated among Clients pro rata based on assets under management or in some other manner which PSG determines is fair and equitable under the circumstances to all Clients involved.

C. Investing in Securities That PSG or A Related Person Recommends to Clients

Please refer to Item 11(B) above.

D. Conflicts of Interest Created by Contemporaneous Trading

Please refer to Item 11(B) above.

Item 12 Brokerage Practices

A. Selecting or Recommending Broker-Dealers for Client Transactions and Reasonableness of Broker-Dealers Compensation

1. Research and Other Soft Dollar Benefits

The Managers used by PSG are directed to execute securities transactions on behalf of Clients (and as used in this Item 12, including the Client Funds) through an executing broker-dealer selected by PSG and approved by such client. PSG has negotiated the lowest commission rates available for its Clients through Charles Schwab & Co., Inc. and UBS Securities LLC, which is discounted from those brokerage firm's regular commission rates.

It is PSG's policy, consistent with investment considerations, to seek the most favorable price and execution for brokerage orders. Most favorable execution is a combination of commission rates and prompt, reliable execution. In selecting brokers and negotiating commission rates, PSG may take into account the broker's ability to effect transactions, commission rate, financial responsibility, responsiveness, and value of brokerage research products and services, whether provided by the broker or paid for by the broker (either by cash payments or by commissions) and provided by others (those brokerage research products and services, collectively, "Products and Services"). A broker will not be excluded from receiving brokerage business because it does not provide Products and Services. Clients might be deemed to pay for Products and Services provided by the broker that would be included in the commission rate. Accordingly, if PSG determines in good faith that the amounts of commissions charged by a broker is reasonable in relation to the value of the brokerage services and other Products or Services provided by the broker, Clients may pay commissions to that broker that are greater than the amount another broker may charge.

PSG does not participate in or have any "soft dollar" arrangements to pay for Products and Services. PSG encourages Clients to use Charles Schwab & Co., Inc. or UBS Securities LLC for the execution of Client securities transactions because PSG has determined, based on its review of the services of other broker-dealers, that these two firms provide the best combination of services for its Clients, including best execution, and do so for discounted commission rates. As a result of the amount of Client assets with these two firms, PSG obtained a lower commission rate for its Clients and is also able to obtain third-party research reports. Even if PSG paid for Products and Services using "soft dollars" such arrangements would be limited to those that comply with Section 28(e) of the Securities Exchange Act of 1934, as amended.

PSG has not relied on the provision of Products and Services in determining which brokerage firms to recommend to Clients for execution of securities transactions. However, the receipt of third-party research reports may result in a conflict between the duty of PSG to act in the best interests of its Clients and any benefit to PSG that may result from the execution of transactions by a particular broker. This conflict arises because (a) the selection of a broker that does provide Products and Services to PSG may result in a higher commission to the Client than that charged by a broker that does not provide Products and Services, (b) the transaction may benefit PSG

because the use of the Clients' commissions may relieve PSG of the need to pay for such Products and Services itself, and (c) some Products and Services may not necessarily be used by PSG in servicing the Clients whose commission dollars provided for the Products and Services.

During 2013, PSG expects to receive research reports from Charles Schwab & Co., Inc. and UBS Securities LLC.

PSG does not use soft dollars to pay for Products and Services (including, research reports) and, therefore, does not limit the use of those research reports to specific Client accounts.

2. Brokerage for Client Referrals

PSG and its affiliates do not receive broker-dealer or other third-party referrals for Clients or for investors for the Client Funds, except for arrangements discussed in Item 14(B). PSG does not consider whether a broker-dealer or third-party refers Clients to PSG or investors for the Client Funds in selecting or recommending broker-dealers.

3. Directed Brokerage

PSG encourages Clients to use Charles Schwab & Co., Inc. or UBS Securities LLC for the execution of Client securities transactions because PSG has determined, based on its review of execution services of other broker-dealers, that these two firms provide the best combination of services for its Clients, including best execution and do so for discounted commission rates. PSG does not currently have any Clients with directed brokerage arrangements.

B. Aggregation of Purchase or Sale of Securities

In an effort to obtain best execution, PSG has a policy of executing trades for its various equity trade Clients in a bunched fashion. All open orders in the same direction (e.g., buy or sell) in the same security and placed at the same time will generally be bunched for execution. PSG will allocate executed bunched orders by the end of each trading day pro rata among the Clients participating in those orders. Generally, commissions paid to brokers and overall execution costs for bunched trades will be equal to or lower than those that would apply had the trades been executed individually.

Item 13 Review of Accounts

A. Frequency and Nature of Review of Client Accounts or Financial Plans

A PSG employee prepares an email each day of all Client (excluding the Client Funds) trades, which is distributed to members of PSG, including the Managing Directors and Investment Officers. Client and Client Fund accounts are reviewed by a Managing Director or Investment Officer at least quarterly. Any fixed income assets managed by PSG are reviewed at least monthly by a Managing Director or Investment Officer.

B. Basis for Client Reviews Other Than A Periodic Review

Not applicable. PSG will review Client accounts periodically, as detailed in Item 13(A) above.

C. Content and Frequency of Account Reports to Clients

The Clients will receive:

- Regular brokerage confirmation slips for all transactions from the executing broker.
- Monthly statements each month in which there were securities transactions from the executing broker or custodian.
- Quarterly status reports that includes details of all holdings in the portfolio from PSG.

The investors in the Client Funds will receive:

- At least quarterly a report concerning the Client Fund's activities and a statement of their capital account.
- Following the end of each year, investors receive each of the following: for those in the Client Funds, annual audited financial statements; for those in the Offshore Fund, a statement of the valuation of the investors' holdings; for those in the domestic Client Funds, a statement of the investors' capital account and Schedule K-1 for preparing their federal income tax return for the year.

Item 14 Client Referrals and Other Compensation

A. Economic Benefits From Non-Client For Providing Client Services

PSG is not paid an economic benefit by a third-party for providing investment advice or other advisory services to its Clients.

B. Compensation to Non-Supervised Persons for Client Referrals

PSG currently has arrangements with various accounting firms and may enter into other arrangements in the future where PSG may from time to time compensate these accounting firms who make Client referrals. Any compensation paid to such accounting firms is negotiated and is paid by PSG to the referring accountants. Clients do not pay the referral fee and the referral fee does not change the amount of the Client's management fee paid to PSG or to any selected Manager. PSG will make all disclosure legally required under the Investment Advisers Act to the Client at any time it makes such a payment for a referral. Any referral payments will comply with all applicable federal and state laws.

Item 15 Custody

PSG may be deemed to have custody of the assets of the Client Funds because it has the authority to manage the Client Funds in all respects and debit Client Fund accounts for its fees. However, in compliance with Rule 206(4)-2, PSG (i) is audited at least annually by an independent public accountant registered with the Public Company Accounting Oversight Board and (ii) provides all investors in the Client Funds with audited financial statements within 180 days of year end.

PSG may be deemed to have custody of the assets of Clients because it has the authority to debit Client accounts for its fees. However, PSG is in compliance with Rule 206(4)-2 because (i) the Clients open accounts directly with a qualified custodian and (ii) the qualified custodian sends the Client a monthly account statement.

Item 16 Investment Discretion

Separately Managed Accounts

Please refer to Items 4(b)(1).

Clients enter into investment advisory agreements with PSG, which consent to discretionary authority over the management of Client assets, including discretionary authority to place orders on such client's behalf and to engage Managers for advisory services for the Client's assets. The Client also enters into a separate investment advisory agreement with each Manager selected by PSG, which in turn conveys to that Manager discretionary authority over the Client assets allocated that Manager.

Hedge Funds and Other Pooled Investment Vehicles

Please refer to Items 4(b)(2).

PSG is the investment manager of the Client Funds and exercises discretionary authority in managing such funds' assets. PSG is not limited in the scope of its discretionary authority over the assets of the Client Funds, except to the extent described in the Confidential Offering Memorandum of each Client Fund's investment objective and strategy.

Item 17 Voting Client Securities

A. Policies and Procedures Relating to Voting Client Securities

Generally, PSG does not exercise any proxy voting authority over Clients' securities. However, on rare occasions where requested by mutual funds or similar entities, PSG has exercised its authority to vote proxies to assist those entities in obtaining a quorum. Certain Managers will vote Client proxies and certain Managers will not vote proxies.

PSG has the authority to vote Client Funds' securities and may accept voting authority for other Clients. However, generally, PSG does not vote the Client Fund's securities.

PSG has established voting policies and procedures pursuant to Rule 206(4)-6, a copy of which is distributed to:

- Every new Client for which the Firm accepts authority for voting proxies will receive the Firm's Proxy Policy Statement not later than the delivery to the Client of Part 2 of the Firm's Form ADV (or equivalent disclosure document).
- Every Client for which the Firm accepts authority for voting proxies will receive the then-current copy of the Firm's Proxy Policy Statement at least once in each calendar year.
- Every Client for which the Firm accepts authority for voting proxies is entitled to receive, on request, a record of how the Firm has voted proxies associated with that Client's securities.

If the Firm identifies a material conflict between its interests and those of a Client with respect to any matter on which PSG has authority to vote on behalf of the Client, PSG will abstain from voting on such matter and will notify the Client of this fact. In such an event, the Client may decide to vote the proxy on its own behalf or may specifically instruct PSG as to how the entire proxy, or the specific item as to which a conflict has been identified, should be voted. The Client may also instruct PSG to abstain from voting.

With respect to the limited instances when PSG voted Client proxies, a Client may obtain a record of the PSG vote by requesting it from Mr. Peter Yorkes CCO at: The Portfolio Strategy Group, LLC, 81 Main Street, White Plains, NY 10601. For selected Managers who will vote Client proxies, Clients may make a written request directly to those Managers to the record on how the firm voted proxies associated with the Client's securities.

B. No Authority to Vote Client Securities and Client Receipt of Proxies

See Item 17(A) above.

Item 18 Financial Information

A. Balance Sheet

Not applicable.

B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients

To the best of its knowledge, PSG does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients.

C. Bankruptcy Filings

Not applicable.