

## **Gavekal Capital Limited**

**Suite 3101, 31/F  
Central Plaza  
18 Harbour Road  
Wan Chai, Hong Kong**

**CRD Number: 167819**

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This Brochure provides information about the qualifications and business practices of Gavekal Capital Limited ("Gavekal"). If you have any questions about the contents of this Brochure, please contact us at +852-2869-8363 or email [marco@gavekal.com](mailto:marco@gavekal.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

In June 2013, Gavekal submitted its initial application to be a registered investment adviser with the SEC. Registration of an Investment Adviser does not imply that Gavekal or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business. The oral and written communications of an Investment Adviser provide you with information about which you determine to hire or retain an Investment Adviser.

Additional information about Gavekal Capital Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

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This section does not apply to Gavekal since this is Gavekal's initial filing.

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## Item 4 - Advisory Business

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### Our Firm

Gavekal Capital Limited (“**Gavekal**”, the “**Firm**” or “**we**”), is a company incorporated with limited liability in Hong Kong.

### Principal Owners

Gavekal is wholly owned by two of its directors: Louis-Vincent Gave (75%) and Anatole Kaletsky (25%).

### Hong Kong Regulatory Status

Gavekal is licensed with the Hong Kong Securities and Futures Commission (“**SFC**”) under Type 9 (asset management) to conduct business with professional investors only.

### Client Types

Gavekal provides discretionary investment advisory services and management services to the Gavekal UCITS Fund and Gavekal Multi-Fund Plc (together the “Funds”), and their five sub-funds (the “Sub-funds”). The Funds and Sub-funds are offered to all investors except US persons. Gavekal also provides discretionary investment advisory and management services to Managed Account client.

Gavekal will also act as a sub-adviser of a mutual fund, GKE Asian Opportunities Fund (the “Mutual Fund”), which is an investment company registered under the Investment Company Act of 1940.

### Types of Services Offered

The Firm provides investment management services to the Funds, the Sub-funds and the managed account client. The investment guidelines and/or the types of investments in which the assets of the Fund may be invested are set out in the Fund and the Sub-funds offering documents. The Firm also provides sub-advisory services to the Mutual Fund which the investment guidelines are set out in the Mutual Fund offering document.

The Firm provides managed account services (“Managed Account”) only to qualified and institutional investors. Each client enters into a written investment management agreement (“**IMA**”) that sets out the nature of the discretion given to Gavekal and the investment restrictions applicable to that account.

The Firm manages Managed Account, the Funds, the Sub-funds, and the Mutual Fund *pari passu*.

The Firm and its employees are not required to advise or manage client portfolios as its sole and exclusive function. The Firm and its employees may engage in other business activities and are only required to devote such time to managing the Funds, Sub-funds, Managed Account, and Mutual Fund as deemed necessary to accomplish the purposes of its clients. For example, the Firm may act as the advisor or investment manager to other clients (including other funds) now or in the future.

As at 31 May 2013, Gavekal had approximately US\$1.1 billion in assets under management, all of which is managed on a discretionary basis.

### **Investors in the Funds / Managed Account / Mutual Fund**

The investors in the Funds and Sub-funds are expected to include all types of investors, including retail investors. Investors in the Funds and Sub-funds must meet other suitability requirements described below and in the relevant offering documents.

The minimum investment amounts of the Sub-funds, Managed Account, and the Mutual Fund are:

**Gavekal Greater China Fund:** US\$50,000/EUR50,000/GBP50,000

**Gavekal Asian Growth Fund:** EUR20,000,000

**Gavekal China Fixed Income Fund:** US\$50,000

**Gavekal Asian Opportunities UCITS Fund:**

Class A: US\$250,000/GBP250,000/GBP200,000

Class B: GBP200,000

Class C: GBP10,000/AUD10,000/ EUR10,000/ US\$10,000

**Gavekal Knowledge Leaders Fund:** US\$20,000

**Gavekal Dynamic Futures Fund:** US\$20,000

**Managed Account:** US\$30 million

**GKE Asian Opportunities Fund:** US\$100,000

### **Ability to Tailor Services and Impose Restrictions**

The investment objectives and strategies for the Funds, the Sub-funds and the Mutual Fund are described in their offering documents. The Firm provides investment management services to the Funds based on the specific investment objective and strategy of each of the Funds and the Sub-funds and, not individually to the investors in those funds (the "Investors"). Therefore, Gavekal does not tailor its advisory services to the individual needs of any of the Investors and the Investors may not impose restrictions on investing in certain securities or types of securities.

The investment objectives and strategies of Managed Account are described in the IMA. Gavekal can tailor the investment strategies and restrictions individually for Managed Account client.

## **Item 5 - Fees and Compensation**

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### **Investors in the Funds and the Sub-funds**

The annual management fee, accrued and payable monthly in arrears, is calculated on the proportion of the Net Asset Value ("NAV") of the Sub-funds attributable to the relevant share class. The manager of the Funds and Sub-funds ("Manager"), Gavekal Fund Management (Ireland) Limited, shall also be entitled to be repaid of its administration expenses out of the assets of the Sub-funds attributable to the share class. The Manager

discharges the advisory fees of the Fund and the Sub-funds out of its own management fee. The expenses are payable out of the assets of the Funds and Sub-funds.

### **Managed Account Client**

The client of Managed Account is generally charged a fee consisting of an asset based “management fee”.

Fees are agreed with the client in the IMA. Unless otherwise indicated in the IMA the management fees are paid monthly in arrears after the last day of each month based on the net market value of Managed Account as of the last business day of each month. The Firm invoices the client for any fees incurred.

### **Investors of the Mutual Fund**

The annual management fee, payable on a monthly basis, will be calculated on the proportion of the average daily net assets of the Mutual Fund. The investment adviser of the Mutual Fund, Evergreen Capital Management, LLC (a SEC-registered investment adviser), will discharge the fees of the sub-adviser of the Mutual Fund, Gavekal, of its own management fee. The expenses for Evergreen Capital Management, LLC and Gavekal will be payable out of the assets of the Mutual Fund.

## **Item 6 - Profit Share Distribution**

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### **Performance Fee**

Gavekal Greater China Fund, a sub-fund of Gavekal UCITS Fund, will be entitled to receive a performance fee out of the assets of the Sub-funds. The performance fee will be calculated in respect of each twelve month period ending on 31 December respectively in each year. The performance fee will be deemed to accrue at each valuation point. Valuation point means 10 pm (Irish time) on the valuation day, where valuation day means the business day immediately preceding a dealing day (the first business day of each week or each month), the last business day in each week and the last business day in each month. The performance fee will be equal to 10% of the appreciation in the NAV per unit during the twelve month period above the base net asset value.

Gavekal Dynamic Futures Fund, a sub-fund of Gavekal Multi-Fund Plc, will be entitled to receive a performance fee out of its assets. The performance fee will be paid to Gavekal and Gavekal Investment S.A. (a Luxembourg-domiciled company), the sub-investment advisor of Gavekal Dynamic Futures Fund.

### **Managed Account**

Currently, Gavekal does not charge performance fees on its managed account client.

### **Mutual Fund**

Gavekal does not plan to charge performance fees on the Mutual Fund.

## Item 7 - Types of Clients

### Funds and Sub-funds

Gavekal manages the assets of each of the following funds:

<b>Fund and Sub-fund</b>	<b>Type of fund</b>
Gavekal UCITS Fund	Irish UCITS open-ended umbrella unit trust
Gavekal Asian Growth Fund	Sub-fund of Gavekal UCITS Fund
Gavekal Greater China Fund	Sub-fund of Gavekal UCITS Fund
Gavekal Asian Opportunities UCITS Fund	Sub-fund of Gavekal UCITS Fund
Gavekal China Fixed Income Fund	Sub-fund of Gavekal UCITS Fund
Gavekal Multi-Fund PLC	Irish UCIT open-ended umbrella fund
Gavekal Knowledge Leaders Fund	Sub-fund of Gavekal Multi-Fund PLC
Gavekal Dynamic Futures Fund	Sub-fund of Gavekal Multi-Fund PLC

The Sub-funds have minimum subscription and minimum subsequent subscription amount requirements, in accordance with the respective offering documents. The Manager has the right to accept an initial investment of a lesser amount than required, provided that the minimum initial investment amount shall not be, at any time, less than the applicable local regulatory requirements. The Manager also has the right to accept additional investments of lesser than required amounts. Investors may redeem their investments in the Sub-funds in accordance with the terms stipulated in their respective offering documents.

### Managed Account

Gavekal currently manages one separately managed account for one institutional client.

### Mutual Fund

Gavekal will act as the sub-adviser of the Mutual Fund. The Mutual Fund will have minimum subscription amount requirement, in accordance with its offering document. Investors may redeem their investments in the Mutual Fund in accordance with the terms stipulated in its offering document.

### **Types of Investments**

The Sub-funds invest their assets in equity, fixed income and derivative securities, as stipulated in their respective PPM.

Managed Account invests its assets in fixed income securities denominated in Chinese Renminbi ("RMB"), Hong Kong Dollars ("HKD"), Hong Kong Delivered Chinese Renminbi, and US Dollars ("USD").

The Mutual Fund will invest its assets in equities, currencies and bonds of the Asia Pacific region.

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

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### Investment Strategies

**Gavekal Greater China Fund:** the investment objective is to capture the long term return of China's economic expansion through investment in a diversified portfolio of equities. It is a long only absolute return oriented fund. The majority of its assets will be invested in Greater Chinese equities either directly or through equity-related instruments such as financial derivative instruments.

**Gavekal Asian Growth Fund:** the investment objective is to outperform the Asian Ex-Japan MSCI Index. It is a long only fund which aims to out-perform the Asia Ex-Japan MSCI Index by using a tactical asset allocation strategy. Its portfolio is comprised of 40%-100% equities, with the remainder of the portfolio held in fixed income securities.

**Gavekal China Fixed Income Fund:** the investment objective is to seek capital appreciation through the acquisition and sale of fixed income securities denominated in RMB, HKD, USD, and Singapore Dollar ("SGP"). It mainly invests in fixed income instruments of both sovereigns and corporations in RMB, HKD, USD, and SGP.

**Gavekal Asian Opportunities UCITS Fund:** the investment objective is capital appreciation through tactical asset allocation between currencies, government bonds, corporate bonds, convertible bonds and equities of the Asia- Pacific region. It is a long only fund which 20%-80% of its assets will be invested in Asian and Australasian equities and the remainder of the portfolio in Asian and Australasian debt securities or currency deposits.

**Gavekal Knowledge Leaders Fund:** the investment objective is to outperform the MSCI World Index. Its assets will be directly invested in equities listed mainly on OECD countries, Hong Kong and Singapore.

**Gavekal Dynamic Futures Fund:** the investment objective is to achieve capital growth by investing in or gaining exposure to diversified portfolio of international equity indices primarily through the use of futures.

**Managed Account:** Managed Account will seek to achieve positive total returns through tactical investment in fixed income instruments and Asian currencies.

**GKE Asian Opportunities Fund:** The Mutual Fund will seek to achieve its investment objective by investing at least 80% of its total assets in securities of companies located in developed and emerging markets in the Asia-Pacific region. Developed and emerging market countries in the Asia-Pacific region are those currently included in the Morgan Stanley Capital International (MSCI) AC (All Country) Pacific Index.

### Risk Factors

All investments involve the risk of loss, including (amongst other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. There is no assurance that the investment objective of the Funds, Sub-funds, Manage Account, and the Mutual Fund will actually be achieved. The difference at any one time between the issue and redemption price of the units of the Funds, Sub-funds, Manage Account, and the Mutual Fund means that an investment in the

Funds, Sub-funds, Manage Account, and the Mutual Fund should be viewed as medium to long term.

These risks include market capitalization risk, emerging markets risk, registration risk, political/regulatory risk, high yield/low rated debt securities, securities lending risk, credit risk, currency risk, financial derivative instruments risk, options risk, over-the-counter markets risk, settlement risk, counterparty risk, liquidity risk and custody risk.

There is no assurance that the investment objective of the Funds, Sub-funds, Manage Account, and the Mutual Fund will actually be achieved. Investors should be aware that an investment in the Funds, Sub-funds, Manage Account, and the Mutual Fund may be exposed to other risks of an exceptional nature from time to time.

## **Item 9 - Disciplinary Information**

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The Firm has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no person involved in the management of the Firm has been subject to any such action.

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

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The Firm is also licensed by the Securities and Futures Commission in Hong Kong to engage in Type 9 “asset management” regulated activity.

Gavekal Capital, LLC is a related SEC-registered investment adviser located in Denver, Colorado, USA. Gavekal Capital LLC is wholly owned by Gavekal Partners Limited (a BVI entity), which is wholly owned by Gavekal Capital Management Limited (a Cayman entity). Anatole Kaletsky, the 25% shareholder of Gavekal, also holds 25% of the shares of Gavekal Capital, LLC.

Marshall Wace Gavekal Asia Limited is a related company located in Hong Kong. Marshall Wace Gavekal Asia Limited is 50% owned by Gavekal (BVI) Holdings Limited. Louis-Vincent Gave, the 75% shareholder of Gavekal, also holds 30% of the shares of Gavekal (BVI) Holdings Limited.

## **Item 11 - Code of Ethics and Participation Personal Trading/Interest in Client Transactions**

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### **Code of Ethics Pursuant to Rule 204A-I of the Advisers Act and Personal Trading**

Pursuant to Rule 204A-I of the Advisers Act, Gavekal has adopted a Code of Ethics and a Personal Account Dealing (“PAD”) Policy that establishes various procedures with respect to investment transactions in accounts in which employees of Gavekal or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The Code of Ethics was adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, nonpublic information and ensure the propriety of its the employee and principal trading activity.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees of Gavekal must at all times place the interests of clients first;
- Employees of Gavekal must make sure that all personal securities transactions are conducted consistent with the PAD policy. All transactions should avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility; and
- Employees of Gavekal should not take inappropriate advantage of their positions. The receipt of investment opportunities, perquisites, or gifts from persons seeking business with Gavekal could call into question the exercise of an employee's independent judgment.

Employees of Gavekal must obtain written authorization from the CCO prior to making a personal investment. The spirit of this Code of Ethics and the PAD Policy is to discourage frequent trading in personal employee accounts. Employees may not engage in any outside business activities or invest in private companies before obtaining authorization from Compliance.

The prior written authorization of personal investment is valid only until the close of trading on the business day for which it was issued. In addition, all transactions are subject to a 60-day holding period.

All Gavekal employees must ask their brokers to send their brokerage statements to the CCO directly. Alternatively, all Gavekal employees should provide duplicate copies of brokerage statements to Compliance. These records are used to monitor compliance with the foregoing policies.

Our Code of Ethics and PAD Policy is available to any investor or prospective investor upon request.

### **Participation or Interest in Client Transactions**

The Firm does not, as a principal, buy securities for itself from, or sell securities that it owns, to any client. Nor does it act as a broker or an agent to effect securities transactions for compensation for any client.

## **Item 12 - Brokerage Practices**

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### **Best Execution**

The SEC has taken the view that an investment adviser at all times owes a fiduciary duty to its clients to obtain best execution of their transactions. In general, to meet its duty of "best execution", Gavekal must execute transactions so that the total cost or proceeds of each transaction are the most favorable under the circumstances. When a broker-dealer is used, Gavekal may consider the full range of a broker's services, including among others: the value

of research and/or brokerage services provided, execution capabilities, commission rates, financial responsibility, administrative resources, and responsiveness. In addition, in seeking best execution, Gavekal may also use a variety of execution methods.

Best execution is determined on a trade-by-trade basis, and should result in the best qualitative execution, not necessarily the best possible commission cost. A key element of the duty of best execution is obtaining the best price at which securities transaction are executed. Best price is considered to be the highest price that a client can sell a security and the lowest price that a client can purchase a security. Other components of best execution are timeliness of having a transaction executed by a broker, the value of research provided, the responsiveness of the broker to the Firm, and the financial responsibility of the broker.

Typically, to achieve best execution, the Firm may aggregate or batch client orders when a transaction is done that is to be allocated amongst various accounts. If aggregation of trading is not utilized or available in such situations, Gavekal is required to disclose to clients that it will not aggregate transactions and the fact that clients may pay higher commissions or mark-ups as a result.

### **Soft Dollars**

Section 28(e) of the Exchange Act provides a safe harbor for persons who exercise investment discretion over accounts to pay for research and brokerage services with commission dollars generated by account transactions. The controlling principle to be used to determine whether something is “research” is *“whether it provides lawful and appropriate assistance to the money manager in the performance of his or her investment decision making responsibilities.”*

Therefore, Section 28(e) prevents such manager from being deemed to have acted unlawfully or to have breached a fiduciary duty as long as such manager has determined in good faith that the amount of the commission was reasonable in relation to the value of the brokerage and research services provided.

The CCO will continuously review trade activity to determine that trades are being handled correctly, are in compliance with guidelines and objectives and that only approved counterparties are being used.

As such, Gavekal shall only soft the following services:

- (a) Research and advisory services;
- (b) Economic and political analysis;
- (c) Portfolio analysis including valuation and performance measurement;
- (d) Market analysis;
- (e) Data and quotation services;
- (f) Computer hardware and software incidental to the above goods and services;
- (g) Investment related publications.

Gavekal shall not soft the following services:

- (a) Travel;
- (b) Accommodation;
- (c) Entertainment;
- (d) General administrative goods or services;
- (e) General office equipment or premises;
- (f) Membership fees;
- (g) Employee salaries; and
- (h) Direct money payment.

## Item 13 - Review of Accounts

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### Review of Accounts

The Funds and Sub-funds appointed independent administrators are responsible for producing final confirmed NAVs and monthly investor statements, which are distributed directly to the investors in the Funds and Sub-funds. The administrators also work with independent public accountants to produce and distribute the Funds' and Sub-funds' annual audited financial reports, as well as year-end statements.

In addition, Gavekal has engaged an independent administrator to prepare monthly unaudited reports reviewing the Funds' and the Sub-funds' performance for the month.

The Firm requires the custodian of Managed Account to provide the Managed Account client with a monthly report in writing showing the aggregate market value of all securities and funds in the account, the client's additions of funds and securities to and withdrawal of funds and securities from Managed Account during the month and the calculation of the fees during the month. The custodian of Managed Account will also prepare an annual audited financial statement of Managed Account.

The Mutual Fund will appoint an independent administrator that are responsible for producing final confirmed NAVs and monthly investor statements, which will be distributed directly to the investors in the Mutual Fund. The administrator will also work with independent public accountants to produce and distribute the Mutual Fund annual audited financial report, as well as year-end statement.

### Reporting

Investors in the Funds and the Sub-funds receive, at a minimum, the following written reports: (1) on an annual basis, audited financial statements prepared by an independent auditor; and (2) within 4 months of the Firm's fiscal year end, audited financial report for the Funds and the Sub-funds with respect to the previous fiscal year. In addition, investors in the Funds and the Sub-funds generally receive net asset value updates and performance reports on a monthly basis. Exposure reports are provided to all the investors of the Funds and Sub-funds on a monthly basis.

Each month, the Firm produces and distributes written reports about Managed Account to client. These reports include various financial data and information.

Investors in the Mutual Fund will receive, at a minimum, the following written reports: (1) on an annual basis, audited financial statements prepared by an independent auditor; and (2) within 4 months of the Mutual Fund's fiscal year end, audited financial report for the Mutual Fund with respect to the previous fiscal year. In addition, investors in the Mutual Fund generally will receive net asset value updates and performance reports on a monthly basis. Exposure reports will be provided to all the investors of the Mutual Fund on a monthly basis.

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

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The Firm may, from time to time, engage the services of third-party placement agent firms. When dealing with potential investors in the US, the Firm will provide prospective investors with a current copy of the Firm's ADV Part 2A and the solicitor's written disclosure statement, if relevant. Any marketing fee or commission in connection with any investor referral activities, including ongoing payments, will generally be paid from the management fees payable to the Firm. Referral fees are borne by the Firm, not the referred investors.

## **Item 15 - Custody**

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The amended and revised Rule 206(4)-2 of the Advisers Act sets forth extensive requirements regarding possession or custody of client funds or securities. The Rule requires advisers that have custody of client funds or securities to implement a set of controls designed to protect those client funds or securities from being lost, misused, misappropriated or subject to the advisers' financial reverses. Advisers with custody of client fund or securities must maintain them with "Qualified Custodians." "Qualified Custodians" under the amended rule include banks and savings associations and registered broker-dealers.

Gavekal does not maintain direct custody or possession of any of its client's funds or securities. Gavekal has appointed Societe Generale S.A. (Dublin) Branch as its trustee/custodian.

The trustee/custodian will provide, among other things, clearing, custodial and record keeping services. We shall use best efforts to ensure that the Funds' and the Sub-funds' audited financials are delivered to all investors within four months of the fiscal year end.

The Firm does not maintain direct custody or possession of any the funds or securities of Managed Account client. Managed Account and the Mutual Fund have third party custodian who provides, among other things, clearing, custodial and record keeping services.

## **Item 16 - Investment Discretion**

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Gavekal has discretionary authority to manage accounts on behalf of all its funds, the Sub-funds, Managed Account, and the Mutual Fund.

The investment guidelines governing the Firm's management of the Funds and Sub-funds are specified under the Funds' and Sub-funds' offering document, where investment limits are intended to minimize investment risk and maximize return. The investment limits mainly cover concentration limits on underlying funds, concentration limits on illiquid investments and leverage positions.

With Managed Account, the investment guidelines are specified under the IMA. The investment restrictions mainly cover concentration limits on issuers, jurisdictions and counterparties, limits on short selling, prohibitions on investment in real property or physical commodities and investments that require prior notification to the investor.

Prior to accepting an appointment to act as a discretionary manager for an investor, the Firm conducts a full "know your customer" assessment. This is performed so that the Firm understands each investor's investment objectives and risk profile and is then able to manage the portfolio in a suitable manner.

The investment guidelines governing the Firm's management of the Mutual Fund are specified under the Mutual Fund's offering document, where investment limits are intended to minimize investment risk and maximize return. The investment limits mainly cover concentration limits on underlying fund, concentration limits on illiquid investments and leverage positions.

## **Item 17 - Voting Client Securities**

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### **Corporate Action and Proxy Voting Policy**

The Firm's policy is to comply with the Proxy Rule and act solely in the best interest the investor/client when exercising its voting authority. The Firm determines whether and how to vote corporate actions and proxies on a case-by-case basis and will apply the following guidelines, as applicable:

- The Firm will attempt to consider all aspects of the vote that could affect the value of the issuer or that of the investor/client.
- The Firm will vote in a manner that it believes is consistent with the Investor/client's stated objectives.
- The Firm will generally vote in accordance with the recommendation of the issuing company's management on routine and administrative matters, unless the Firm has a particular reason to vote to the contrary.

## **Item 18 - Financial Information**

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The Firm does not require or solicit pre-payment of any type of client fees in advance.

Registered investment advisers are required in this Item to provide with certain financial information or disclosures about their financial condition. The Firm 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.