

## **Part 2A of Form ADV: Firm Brochure**

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This brochure provides information about the qualifications and business practices of Elkhorn Investments, LLC (hereinafter “*Elkhorn*” or “*firm*” or “*we*”). If you have any questions about the contents of this brochure, please contact us at (630) 355-4676. 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.

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

**Item 2.       Material Changes**

Not applicable.

**Item 3. Table of Contents**

<b><u>Item</u></b>	<b><u>Section</u></b>	<b><u>Page</u></b>
Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation .....	7
Item 6	Performance-Based Fees and Side-By-Side Management .....	9
Item 7	Types of Clients .....	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9	Disciplinary Information.....	15
Item 10	Other Financial Industry Activities and Affiliations .....	15
Item 11	Code of Ethics, Participation in Client Transactions and Personal Trading .....	15
Item 12	Brokerage Practices .....	17
Item 13	Review of Accounts .....	17
Item 14	Client Referrals and Other Compensation .....	18
Item 15	Custody .....	18
Item 16	Investment Discretion .....	18
Item 17	Voting Client Securities .....	19
Item 18	Financial Information.....	19

#### **Item 4. Advisory Business**

Elkhorn is in the process of becoming a SEC-registered investment adviser. We have been in business as a Delaware limited liability company since February 2013. Elkhorn Capital Group, LLC, a Delaware limited liability company (“ECG”), is our sole direct owner.

As of the date of this brochure, we do not have any discretionary or non-discretionary assets under management or supervision.

The firm will provide types of services, (1) unit investment trust (“UIT”) supervision and valuation services, (2) UIT model portfolio investment recommendations, (3) commodity pool operator, (4) commodity trading adviser, (5) investment manager of private funds, (6) separately managed accounts, (7) construction of asset allocation strategies and model portfolios, (8) mutual fund sponsorship and advisory services, and (9) exchange traded fund (“ETF”) sponsorship and advisory services. Although both mutual funds and ETFs are open-end management companies, ETF features are significantly different from traditional mutual funds and Elkhorn will refer to them as separate investment vehicles.

##### Services in General

Our investment recommendations are not limited to any specific product or service and will primarily include advice regarding the following instruments:

- Exchange listed, NASDAQ and DTC equity securities;
- Fixed-income securities;
- Exchange listed and OTC derivative contracts;
- Futures and Commodities; and
- Open-end and closed-end management investment companies.

Our investment recommendations will be tailored to the individual needs of each client and will be based on information gathered through the prospectus for the particular investment product and communications with the sponsor, general partner and the trustee. Information will be gathered by telephone, e-mail and in-person discussions with the clients as well as investment managers and trustees and/or sponsors of UITs, mutual funds, ETFs and pools.

##### Unit Investment Trust Supervision and Valuation Services

Our affiliates may sponsor one or more series of UITs registered under the Investment Company Act of 1940, as amended (the “1940 Act”). We will provide supervision and valuation services to the trustees and/or sponsors of these UITs. A UIT is an SEC-registered investment company that is composed of an unmanaged portfolio in which the investor has an undivided ownership of underlying securities. The terms and conditions, along with the risks, of each UIT will be set forth in their offering and governing documents.

Our firm will act as a supervisor to the UITs and will continuously monitor each UIT’s portfolio to ensure the portfolio maintains its sound investment character. Once a portfolio is selected, it

remains mostly fixed until the termination of the UIT. However, the offering and governing documents of the UIT will set forth a limited number of circumstances in which the trust may buy or sell securities, such as a security having significant credit issues. We will monitor the UIT portfolio for financial viability of an issuer or the security's creditworthiness.

As the evaluator to the UITs, we will also determine the valuation of each security in each UIT's portfolio on a daily basis, which allows the trustee to calculate the UIT's daily net asset value. We may use certain independent pricing services in the course of providing evaluation services to the UITs.

#### Unit Investment Trust Model Portfolio Investment Recommendations

In addition to providing services to UITs sponsored by our affiliates, the firm may also act as a portfolio consultant and engage in a small number of wholesale arrangements where it provides model portfolio investment recommendations without brokerage execution or additional services. The fees for these services will be negotiated on a case-by-case basis. This type of client account will not be managed by Elkhorn and the client may be notified of changes to model portfolio after the discretionary client accounts have traded. The client may or may not use the information received from us in making investment decisions.

#### Commodity Pool Operator

The Commodity Exchange Act ("*CEA*") defines the term "commodity pool" to include any investment trust, syndicate, or similar form of enterprise operated for the purpose of trading in commodity interests (a "*Pool*"). Elkhorn plans to apply for registration with the National Futures Association (the "*NFA*") as an NFA member, CPO and a CTA (defined below) and, once approved, may serve as a commodity pool operator ("*CPO*") for Pools which are registered under the Securities Act of 1933, as amended (the "*Securities Act*"). As a CPO, in addition to providing investment advice and fund structuring, we will prepare and distribute a disclosure statement, periodic account statements and audited financial reports as well as keep records concerning the Pool participants, transactions and operations. We, or our affiliates, may solicit funds for one or more of our Pools.

#### Commodity Trading Adviser

If our NFA application is approved, Elkhorn may serve as a Commodity Trading Adviser ("*CTA*"). A CTA is an individual or organization which, for compensation or profit, advises others as to the value of or the advisability of buying or selling futures contracts, options on futures, retail off-exchange forex contracts or swaps. Providing advice includes exercising trading authority over a client's account as well as giving advice based upon knowledge of or tailored to client's particular commodity interest account, particular commodity interest trading activity, or other similar types of information.

## Private Funds

Elkhorn may provide services through the management of certain strategy funds (collectively, the “*Private Funds*”). The Private Funds to which we will provide services will be exempt from registration under the 1940 Act, and interests in such Private Funds are not registered under the Securities Act. The Private Funds are offered on private placement basis, exclusively to investors who meet the specific requirements set forth in the offering documents for each Private Fund. The Private Funds will be managed in accordance with the terms of the applicable investment management agreements, organizational documents or offering documents and may invest in separately managed accounts, as well as pooled investment vehicles such as mutual funds, exchange traded funds and other private or hedge funds that are organized, controlled, advised and/or managed by investment managers. Investment managers may or may not be affiliates of Elkhorn. Certain Private Funds may also invest in and directly hold financial instruments. We may have discretionary authority with respect to the Private Funds’ investment allocations to the investment managers; however investment managers generally have discretion with respect to investing and trading activities related to that allocation.

## Separately Managed Accounts

Elkhorn offers discretionary investment management services to institutional and individual clients. Our targeted institutional clients principally include open and closed-end mutual funds, exchange-traded funds and variable annuity sub-accounts. Investment management services are offered to individual clients through separate managed accounts (“*SMA*s”), either directly or through “wrap fee” programs sponsored by unaffiliated investment advisers. We may use numerous types of securities to manage client portfolios including, but not limited to: domestic and foreign equity securities; domestic and foreign fixed income securities (both investment grade and non-investment grade); U.S. government and foreign sovereign fixed income securities, municipal securities, preferred securities, real estate investment trusts (“*REITs*”), master limited partnerships (“*MLPs*”), American Depositary Receipts (“*ADRs*”), closed-end fund shares (“*CEFs*”) and exchange-traded fund shares (“*ETFs*”), and senior loans.

Our investment management services to individuals and certain institutional clients through *SMA*s are governed by a contract. In some cases the contract is between us and the client directly, whereas in other cases the contract is between us and a wrap fee program sponsor. Generally, a client selects one or more strategies from a menu of our investment strategies. Typically, the investor works with his/her financial advisor as an integral part of the process, which involves a review of the investor’s financial situation, goals, experience, and risk tolerance, among other factors. Each account in a particular strategy will be managed in a similar manner; however, we may accept reasonable client-imposed restrictions on investing in certain securities or types of securities. Such restrictions may affect the performance of an account. If we are unwilling to accept such restrictions, or if the restrictions are unreasonable, we will withdraw from managing such an account.

## Model Strategies

We will construct asset allocation strategies and model portfolios where it selects the underlying investments for such model portfolios (“*Model Strategies*”) for a variety of investors. Model Strategies are created to fulfill a particular investment objective and may be executed at different levels of customization for investors. We will provide access to the Model Strategies and provides services to such Model Strategies in accordance with the terms of the applicable investment management agreements, service agreements, organizational documents or offering documents. Model Strategies may be executed through and maintained by an independent investment adviser and those Model Strategies will not be modified for individual investors and may include allocations to mutual funds, exchange traded funds, and, in certain cases, separately managed accounts that are organized, controlled, advised and/or managed by investment managers (including affiliates of Elkhorn). Model Strategies may be executed by investors that are clients of financial intermediaries that may include, in addition to mutual funds, exchange traded funds and separately managed accounts, allocations to private or hedge funds, including the Private Funds and other investment products or services that are organized, controlled, advised and/or managed by investment managers. Model Strategies also may be completely customized for investors that are our clients and may include an allocation of assets to any appropriate investment strategy or product based on the client’s investment objective. Model Strategies generally are made available to investors on a non-discretionary basis.

## Mutual Funds and ETFs

Elkhorn is engaged in the business of advising or sub-advising certain non-affiliated registered investment companies, such as mutual funds and ETFs. Elkhorn provides both investment advisory services and administrative services to these registered investment companies. Our investment advisory services include the selection of securities and the placement of orders for the purchase and sale of securities. Complete information concerning each mutual fund or ETF that we advise, including the applicable fees, is disclosed in the prospectus and statement of additional information for each mutual fund or ETF.

## **Item 5. Fees and Compensation**

### Fees in General

The amount and method of payment of such fees will be specified in the offering and governing documents of each corresponding UIT, mutual fund, ETF, Pool or Private Fund and will generally not be negotiable. Advisory fees will be invoiced quarterly, semi-annually, or annually, in advance or in arrears, as specifically stated in each UIT’s, mutual fund’s, ETF’s, Pool’s or Private Fund’s offering and governing documents.

### Supervisory and Evaluation Fees

Elkhorn’s fees for portfolio supervisory and evaluation services to UITs sponsored by its affiliates will be generally assessed as a fixed amount per unit.

### Portfolio Consultant and Licensing Fees

For providing model portfolio investment recommendations to UITs not sponsored by Elkhorn's affiliates, we will be paid a fee based upon a percentage of the average net assets of the UIT.

### Private Funds

The management fee for Private Funds managed or advised by Elkhorn is based on a percentage of the investor's net assets under management at fixed annual rates, that range from 0.50-2.00% per year. The management fee charged by any Private Fund may be subject to negotiation for certain investors. Management fees may be charged monthly or quarterly, generally in arrears, and are pro-rated for partial periods.

We currently do not charge performance-based fees to the Private Funds, although it may do so in the future. Investment managers may charge performance-based fees to a Private Fund or other hedge or private fund or separately managed account in which a Private Fund may invest. Such performance fees generally will be equal to a percentage of the net realized and unrealized profits earned by a client for each year, although it may be assessed more frequently. Performance fees will be charged in accordance with Section 205 of the Advisers Act and the conditions of Rule 205-3 thereunder. All Private Fund offering documents disclose where performance fees may be charged by an investment manager to the Private Fund.

### Separate Managed Accounts

Our fees for investment management services to SMAs are assessed on a quarterly basis, generally in advance. Fees are assessed at the rate in effect at the time of the billing. Any rate change which occurs during the quarter will be reflected in next billing period. Generally, one-quarter of our annual fee is assessed each quarter based on the value of the account at the beginning of the quarter, which may or may not include accrued interest and dividends. Any deposits or withdrawals during the quarter are billed, or credited as the case may be, on a pro-rata basis at the end of the quarter. If an account is closed before the end of a quarter, generally a prorated amount of the fee will be refunded to the client.

SMA clients will incur additional costs in connection with such accounts managed by us. Such costs may include custodian fees and brokerage costs

Elkhorn's standard annual fee is between 0.50% and 1.50% of assets depending upon the asset class, but we may negotiate fees on a case by case basis.

### Model Strategies

Our Model Strategies will be executed through and maintained by an independent investment adviser and we are typically paid a fee based on the investor's assets under management at fixed annual rates that range from 0.10% to 1.50% to provide investment model allocations. This fee is paid quarterly in arrears and is pro-rated for partial periods.



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

We currently do not charge any performance-based fees.

## **Item 7. Types of Clients**

We generally provide services to trusts, institutional investors, investment advisers, Pools, mutual funds, ETFs, and UITs. We also may provide services to individual investors that have a minimum of \$5 million of investable assets; however, we may work with certain clients that have fewer investable assets. There is no minimum asset base required for institutional clients, and we will evaluate each individual client on a case by case basis. We provide investment advice to the Private Funds, interests in which are offered to qualified investors on a private placement basis. Investor qualification requirements are set forth in the offering documents for each Private Fund.

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

### Unit Investment Trust Supervision and Valuation Services

For affiliate sponsored UITs, we will not select the portfolio and, therefore, will not use a method of analysis or investment strategy for providing investment advice or managing assets. However, as the supervisor of these UITs, we will provide some monitoring services. In particular, we may determine that a condition may exist in which it is necessary for the UIT to sell some of its holdings in order to maintain the sound investment character of the UIT, even though UITs are not managed and generally do not change their portfolios. Such limited conditions to protect the UIT will be specified in the UIT's governing documents and generally include, but are not limited to, situations when: there has been a default in the payment of dividends, the price of a security has declined to such an extent or other such credit factors exist so that the retention of such securities would be detrimental to the UIT and to the interest of the unitholders, a sale is required to fund redemptions, a sale would maintain the UIT's tax status, and the UIT must comply with federal and/or state securities laws, regulations and/or regulatory actions and interpretations.

### Commodity Investment Recommendations

Our commodities strategy seeks to achieve total returns with less volatility than the broad commodity markets from long and/or short investments in commodities and other investment instruments. The strategy intends to invest in multiple proprietary and third-party investment strategies that seek to identify and profit from upcoming movements, in the global commodity markets. The strategies may be quantitative or fundamental in nature, and may use market data and macroeconomic analysis to determine positions. The proprietary strategies may range from broad strategies that seek to provide exposure to all commodity markets, to focused strategies that seek to provide exposure to a single asset class, sector or a market.

## Discretionary Investment Management Services

As noted in Item 4, Elkhorn provides discretionary investment management services to a variety of institutional and individual clients, including CEFs, ETFs, open-end funds, variable annuity sub-accounts and SMAs. The following discussion summarizes our investment strategies in general and discusses certain risks of investing in various types of securities. Investors in CEFs, ETFs, open-end funds and variable annuity sub-accounts should also read the applicable funds' prospectuses, annual and semi-annual reports, and other fund specific materials for a complete description of each fund's investment strategies and risks. All investing involves the risk of loss which clients should be prepared to bear.

Our SMA accounts principally involve one or more equity or balanced strategies involving investments in both equity and fixed income securities. We may offer strategies investing principally in fixed income CEFs and/or ETFs which involve all of the risks of investing in the fixed income asset class, as well as risks specific to CEFs and ETFs. Following is a general description of our approach to investing in various asset classes and certain risk factors applicable to each.

### Risks

Investing in securities in all asset classes involves a risk of loss that the client should be prepared to bear. Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. There are no assurances that any model portfolios for clients will succeed. We cannot give any guarantee that a client's investment objectives will be achieved or that a client will receive a return on their investment. Other potentially material risks may include:

*Equity Securities.* Our investment philosophy is based on the belief that a company's long-term value is determined by the cash flow it generates. Our investment management process utilizes both quantitative and qualitative analysis to assess a company's ability to generate cash flow and its current valuation relative to intrinsic value. We believe the disciplined, systematic application of its proprietary process will lead to long-term value creation for its clients. Our approach to selecting equity securities typically begins with defining a universe of securities eligible for selection based on the particular strategy (for example, large-cap stocks, small-cap stocks, international stocks, etc.) and applying various quantitative and qualitative analyses to select the portfolio. In general, we retain flexible sector and industry constraints. We use various databases and publicly available information, including SEC filings and company releases, to conduct research. We anticipate having access to proprietary research through our affiliates in the future.

The primary risk of investing in equity securities is that they may decline in value for a variety of reasons, including a broad market downturn, unfavorable developments affecting an entire industry, and specific events affecting a single company. The following is a partial list of the risks associated with investing in various types of equity securities:

- An investment in equity securities should be made with an understanding of the risks involved with owning common stocks, such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market.
- An investment in foreign stocks is subject to additional risks, including foreign currency fluctuations, foreign political risks, foreign withholding, possible lack of adequate financial information, and possible exchange control restrictions impacting foreign issuers. These risks may be more pronounced in emerging markets where the securities markets are substantially smaller, less liquid, less regulated and more volatile than developed foreign markets.
- An investment in small-capitalization or mid-capitalization companies may be more volatile than investments in larger, more established companies, and securities of small and mid- size companies typically have more limited trading volumes.
- A portfolio may be concentrated in a particular industry or sector which involves more risk than a broadly diversified portfolio.

*Fixed Income Securities.* Our approach to selection of fixed income securities typically involves applying certain screens to a corporate bond index. We emphasize high credit quality, liquidity, diversification, issuer fundamentals, and duration management. Typically, the fixed income portion of balanced SMA accounts is achieved through the use of fixed income CEFs and ETFs and may include exposure to additional fixed income asset classes other than investment-grade U.S. corporate bonds; these additional asset classes are discussed below.

The primary risk of investing in fixed income securities is that they may decline in value for a variety of reasons, including a broad market downturn, a rising interest rate environment, unfavorable developments affecting an entire industry, and specific events affecting a single company. The following is a partial list of the risks associated with investing in various types of fixed income securities:

- All bonds are subject to various risks including higher interest rates as fixed income securities typically decline in value as interest rates rise), economic recession, possible rating downgrades by one or more rating agencies, and possible defaults of interest and/or principal payments by the issuer.
- High-yield or “junk” bonds are rated below investment grade and are subject to a higher risk of rating downgrade and issuer default than investment-grade bonds, and are more affected by an economic recession. The prices of high-yield bonds tend to fluctuate more than those of investment grade bonds.
- Fixed income securities issued by foreign issuers are subject to additional risks including foreign currency fluctuations, foreign political risks, foreign tax withholding, possible lack of adequate financial information and possible exchange control restrictions. Additionally, these risks may be more pronounced in emerging

markets where the securities markets are substantially smaller, less liquid, less regulated, and more volatile than developed foreign markets.

- Municipal bonds are issued by states, counties or other municipal authorities and are subject to additional risks, including deterioration in the financial condition of the municipal issuer and potential changes in tax laws affecting the tax-free status of municipal bonds.
- Mortgage-backed securities may be more sensitive to changes in interest rates than traditional fixed income securities as rising rates tend to extend the duration of such securities. In addition, mortgage-backed securities are subject to prepayment risk, since borrowers may pay off their mortgages sooner than anticipated, particularly during a period of declining interest rates. Subprime mortgage-backed securities are subject to a higher risk of rating downgrade or defaults than higher rated mortgage-backed securities.
- Senior loan securities are high-yield, floating rate corporate debt securities which are senior in a company's capital structure to unsecured debt securities. Like all high-yield securities, such securities carry a heightened risk of a rating downgrade or issuer default than investment grade securities.

*CEFs and ETFs.* Certain SMA accounts invest all or a portion of clients' portfolios in CEFs and/or ETFs. The underlying CEFs and/or ETFs may invest in a wide variety of equity or fixed income securities. Our approach to the selection of CEFs involves a variety of fundamental and performance-related criteria and involves both quantitative and qualitative analysis of the applicable CEF sector. We believe the CEF marketplace is a retail-driven market where inefficiencies and opportunities exist that we seek to discover and exploit. A portion of an ETF SMA portfolio may be reserved for a tactical overweighting or underweighting of various asset classes based on our current outlook for things such as specific asset classes, industries or global geographic regions. As CEFs and ETFs invest in a variety of equity or fixed income securities and thus are subject to the applicable risks previously identified above. Additionally, CEFs and ETFs are each unique securities in their own right and are subject to additional risks that are discussed below:

- Both CEFs and ETFs are subject to the funds' managements' abilities to manage the underlying portfolios to meet the funds' stated investment objectives.
- CEFs, unlike open-end funds which trade at prices based on a current determination of a fund's net asset value, frequently trade at a discount to their net asset value in the secondary market. Additionally, many CEFs employ leverage to achieve greater returns. A leverage strategy often increases the volatility of such CEFs.
- ETFs also may trade at a discount to their net asset value in the secondary market. The structure of an ETF is such that most ETFs' market prices tend to track the funds' respective net asset value closely, but this may not always be the case, particularly during periods of extreme market volatility.

- Most ETFs are designed to track a specified market index; however, in some cases an ETF's return may deviate from the specified index. Certain ETFs are actively managed ETFs and are subject to management risk. Furthermore, unlike open-end funds, investors are generally not able to purchase ETF shares directly from the fund sponsor nor redeem ETF shares with the fund sponsor. Rather, only specified large blocks of ETF shares called "creation units" can be purchased from, or redeemed with, the fund.

*Commodities-Linked Investments.* The performance of commodity-linked investments, including derivatives, may depend on the performance of the overall commodities markets and on other factors that affect the value of commodities, including weather, political, tax, and other regulatory and market developments. Commodity-linked notes may be leveraged. Commodity-linked investments may be hybrid instruments that can have substantial risk of loss with respect to both principal and interest. Commodity-linked investments may be more volatile and less liquid than the underlying commodity, instruments, or measures and are subject to the credit risks associated with the issuer, and their values may decline substantially if the issuer's creditworthiness deteriorates. As a result, returns of commodity-linked investments may deviate significantly from the return of the underlying commodity, instruments, or measures. Legal and regulatory changes also can affect the value of these investments.

*Derivatives.* The value of derivatives, including options, futures and options on futures also may be adversely affected if the market for derivatives is reduced or becomes illiquid. No assurance can be given that a liquid market will exist when Elkhorn seeks to close out a position. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain derivatives; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of derivatives; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle the then-current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of derivatives (or a particular class or series of derivatives). If trading were discontinued, the secondary market on that exchange (or in that class or series of derivatives) would cease to exist. However, outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

In addition, transactions in exchange-traded derivatives will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which the derivatives are traded. These limitations govern the maximum number of derivatives in each class which may be written by a single investor or group of investors acting in concert, regardless of whether the derivatives are written on the same or different exchanges, boards of trade or other trading facilities or are written in one or more accounts or through one or more brokers. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose other sanctions.

*Investment in Investment Companies.* Investing in other investment companies is subject to risks affecting the investment company, including the possibility that the value of the underlying securities held by the investment company could decrease. Moreover, such an investment will incur its pro rata share of the expenses of the underlying investment companies' expenses.

*Leverage.* The use of derivatives may create leveraging risk. Leveraging may cause an account to be more volatile than if it had not been leveraged. Leverage can also arise through the use of borrowing for investment purposes. To the extent that a client purchases securities while it has outstanding borrowings, it is using leverage (i.e., using borrowed funds for investment). Leveraging will increase the effect of any increase or decrease in the market value of a client's portfolio. Money borrowed for leveraging will be subject to interest costs that may or may not be recovered by appreciation of the portfolio.

*Short Sales.* A short sale entails selling a borrowed security with the expectation that the price of the security will decline so that the security may be purchased at a lower price prior to the time the borrowed security is returned. While the potential losses associated with investing in stocks are typically limited to the original cost of the securities, the potential for losses associated with short positions is much greater than the original value of the securities sold short. A client may not always be able to close out a short position at a particular time or at an acceptable price. A lender may request that borrowed securities be returned to it on short notice, and securities may have to be purchased at an unfavorable price, resulting in a loss. Short sales are also subject to credit risks related to the lender or the general risk that the lender does not comply with its obligations.

*U.S. Treasury Obligations.* A security back by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity, but the market prices for such securities are not guaranteed and will fluctuate. Treasury Obligations may differ from other securities in their interest rates, maturities, times of issuance and other characteristics. U.S. government securities generally do not involve the credit risks associated with investments in other types of debt securities, although, as a result, the yields available from U.S. government securities are generally lower than the yields available from corporate fixed-income securities. Like other debt securities, however, the values of U.S. government securities change as interest rates fluctuate. Changes to the financial condition or credit rating of the U.S. government may cause the value of Treasury Obligations to decline.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. Prospective and existing clients are encouraged to consult their own financial, legal and tax professionals in connection with the selection of and investment in a particular strategy or product. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

**Item 9. Disciplinary Information**

Neither Elkhorn nor its management persons have any legal or disciplinary events in the past ten years that would be material to a client's evaluation of our business or the integrity of our management.

**Item 10. Other Financial Industry Activities and Affiliations**

Elkhorn has financial industry activity relationships and arrangements which are material to its advisory business. As noted in Item 4 above, we will provide advisory services and have material business arrangements with affiliates and non-affiliates that sponsor UITs or Pools. In addition, a minority investor in ECG is BNP Paribas North America, Inc. which has numerous affiliations in the financial industry.

Certain of Elkhorn's officer and managers are also officers or directors of Elkhorns Securities, LLC, an affiliate which is applying for registration as a broker-dealer which the SEC or of other financial firms. The following is a summary of these relationships.

- Benjamin Fulton is the Chief Executive Officer of Elkhorn Securities and a managing member of ECG. Pending the approval of Elkhorn Securities' application, Mr. Fulton is a registered representative of Cape Securities, Inc., a registered broker-dealer and FINRA-member. Mr. Fulton is also a director of Dorsey Wright & Associates, LLC, an SEC registered investment adviser.
- Philip Ziesemer is the Chief Operating Officer of Elkhorn Securities and a managing member of ECG.

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

We have adopted a Code of Ethics which sets forth the ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our Code of Ethics provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon written request to Chief Compliance Officer, at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for clients for their personal accounts. In addition, any related person may have an interest or position in a certain security, which may also be recommended to a client. This practice results in a potential conflict of interest, as we may have an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

To mitigate these potential conflicts of interest and ensure the fulfillment of our fiduciary responsibilities, we have, among other things, established the following restrictions:

1. No employee of Elkhorn may purchase, directly or indirectly for any account in which he or she has beneficial ownership, any security in an initial public offering. This requirement also does apply to transactions in an initial public offering in an account over which an employee has granted full discretionary authority to a third party.
2. No employee of Elkhorn may purchase, directly or indirectly for any account in which he or she has beneficial ownership, or outside such an account, any security in a limited offering (i.e., private placement) without prior written approval.
3. No employee of Elkhorn may purchase or sell, directly or indirectly for any account in which he or she has beneficial ownership, any security without first pre-clearing such transaction by the Chief Compliance Officer.
4. No employee of Elkhorn may purchase or sell, directly or indirectly for any account in which he or she has beneficial ownership, any security that to his or her actual knowledge is being purchased or sold, or is actively being considered for purchase or sale, by a client of Elkhorn. This restriction, however, does not apply when the purchase or sale by the client account is a maintenance trade or an unsupervised trade.
5. Except with prior written approval, no investment person of Elkhorn may purchase or sell, directly or indirectly for any account in which he or she has beneficial ownership, any security eligible for purchase or sale by a client account for which such investment person has responsibility. Investment persons of Elkhorn include portfolios managers, portfolio assistants, securities analysts and traders employed by Elkhorn, or any other persons designated as such by Elkhorn.
6. In the event that a client account purchases or sells a security within seven days preceding or following the purchase, or purchases or sells a security within seven days preceding or following the sale, of the same security by an investment person who has responsibility for the client account, the investment person may be required to dispose of the security and/or disgorge any profits associated with his or her transaction. Such disposal and/or disgorgement may be required notwithstanding any prior written approval, unless the purchase or sale by the client account is a maintenance trade or unsupervised trade.
7. No employee of Elkhorn may purchase or sell, directly or indirectly for any account in which he or she has beneficial ownership, any common or preferred shares of a closed-end fund or exchange-listed investment product advised or sub-advised by Elkhorn without prior written approval.



8. All of our principals and employees must act in accordance with all applicable Federal and state regulations governing registered investment advisory practices.

Any individual not in observance of the above may be subject to disciplinary action, including suspension or termination.

## **Item 12. Brokerage Practices**

Elkhorn does not recommend or select broker-dealers for client transactions and we do not determine the reasonableness of such broker-dealer's compensation. As described in Item 4, we will provide advisory services to affiliates and non-affiliates that sponsor UITs, ETFs and mutual funds. Those sponsors will be broker-dealers responsible for the security transactions. We do not anticipate Elkhorn Securities will execute our client trades in the event its SEC-registration and FINRA membership are approved.

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

Each mutual fund, ETF and account is managed by one or more of our portfolio managers. The portfolio managers review the accounts on a continuous basis and are responsible for the day-to-day operations of the mutual fund, ETF and account, including sector weightings, cash positions, buy and sell decisions, performance and overall adherence with the investment philosophy and specific requirements of the account. A more formal review of investment policy, strategy, asset allocation and other matters will be conducted at least quarterly and more often as circumstances warrant.

Shareholders of mutual funds and ETFs ("*Funds*") and Pools are provided with annual audited financial reports as well as semiannual unaudited reports, each of which is available through the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov). In addition, on a quarterly basis, Elkhorn generally meets with, and provides a comprehensive report of the performance of each Fund and Pool to, the Fund's board of directors or trustees, as applicable. This report includes a comparison of each portfolio's performance measured against the performance of its applicable benchmark, market sector and/or a mutual fund peer with a similar investment objective. Special reports and materials are also provided to the directors or trustees, as applicable, from time to time or as requested.

Although UIT portfolios are intended to be fixed and not actively managed or traded, we will continuously monitor all underlying portfolio investments and periodically review portfolios as required by the related prospectus and indenture of each UIT for matters that may be cause for concern, such as a ratings downgrade, an issue being placed on credit watch by a rating agency, significant negative financial news, etc.

Each UIT trustee or sponsor will receive monthly/quarterly statements from the respective custodian. Investors in an affiliate-sponsored UITs will receive the Trustee's Annual Report which includes a listing of holdings in each trust and a summary of transaction activity in the trust during the year. Our firm may provide additional reports as specifically required in each UIT prospectus.

Elkhorn monitors all managed accounts on a regular basis for consistency with each client's stated investment objective and the specific investment strategy selected. Portfolios managed for CEFs, ETFs, open-ended mutual funds and variable annuity sub-accounts are reviewed at least monthly. The nature of these reviews principally involves monitoring each fund's portfolios for consistency with the applicable prospectus guidelines. SMA accounts are also reviewed at least monthly. These reviews involve a comparison of accounts within the applicable strategy for unusual deviations from other accounts within the same strategy. Unusual differences are discussed among FTA's portfolio management group, which may result in more in-depth analysis.

SMA clients receive reports on at least a quarterly basis from their designated custodian. These reports include a listing of holdings in the account, performance statistics and a detail of securities sold during the quarter. In addition, investors in CEFs, ETFs, open-end mutual funds and variable annuity sub-accounts receive an annual report and semi-annual report as required by applicable regulations. These reports contain a listing of holdings in the portfolios, financial statements for each fund, performance information, management's discussion, and other information.

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

Elkhorn does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

#### **Item 15. Custody**

We do not have custody of client funds or securities. Each client's assets are held by a qualified custodian. However, we urge all of our clients to carefully review their quarterly reviews of account holdings and/or performance results received from their custodian. Should a client notice any discrepancies or inconsistencies, please notify the custodian as soon as possible.

#### **Item 16. Investment Discretion**

As described in Item 4, Elkhorn provides discretionary investment management services to a variety of institutional and individual clients. Every account managed by us is governed by a written contract between us and the client in which the client grants us discretionary authority to manage the account. For CEF, ETF, open-end mutual funds and variable annuity sub-account clients, our investment discretion will be governed by the provisions of the applicable prospectus and our contract with the applicable fund, which may impose restrictions on us regarding investing in certain securities or types of securities. In the case of most of the ETFs, we are generally required to manage each ETF portfolio in such a manner so as to match the underlying index on which the ETF portfolio is based. In the case of actively managed ETFs the portfolio manager will have discretion, within the constraints imposed by the prospectus, to manage the ETFs' portfolio. In the case of the CEFs, most of the portfolios advised by FTA are sub-advised by the other investment advisors who are responsible for the management of the funds' portfolios and who are subject to our oversight. For Private Funds, we will manage the fund in accordance

with the fund's stated investment objectives and contractual parameters contained in the organizational documents.

SMA clients provide us with discretionary investment authority through the investment advisory contract. Generally, a client selects one or more strategies from a menu of investment strategies offered by us. Typically, the investor works with his/her financial adviser as an integral part of this process, which involves a review of the investor's financial situation, goals, experience, and risk tolerance, among other factors. Each account in a particular strategy will be managed in a similar manner. In the event there are client-imposed restrictions on investing in certain securities or types of securities, such restrictions may affect the performance of an account.

We will have limited authority to authorize the sale of securities held by a UIT pursuant to the terms of such UIT's governing documents.

**Item 17. Voting Client Securities**

We do not intend have discretion to vote proxies for our clients. However, in the event that Elkhorn is to vote a proxy, we will obtain a proxy analysis report from a reputable advisory service and will vote in accordance with the recommendation of the advisory service unless the recommendation would cause a violation of Elkhorn policies.

**Item 18. Financial Information**

We have discretionary authority over clients' SMAs and therefore are required to disclose to clients any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. Clients are advised that we have no such financial condition to disclose. Elkhorn has not been the subject of a bankruptcy petition at any time during the past ten years.