

**Item 1 – Cover Page**

**Saxon Woods Advisors, LLC**

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**March 31, 2014**

This Brochure provides information about the qualifications and business practices of Saxon Woods Advisors, LLC (hereinafter “SWA”). If you have any questions about the contents of this Brochure, please contact us at (914) 251-0880. 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.

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

Additional information about SWA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for SWA is 109686.

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2014 is a revision to our previous brochure (which was dated March 27, 2013). The brochure reflects minor changes including updates to the assets under management. None of these changes are deemed to be material.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary, without charge.

Currently, our Brochure may be requested by contacting Kenneth Corrado, SWA’s Chief Compliance Officer, at (914) 251-0880.

Additional information about SWA is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with SWA who are registered, or are required to be registered, as investment adviser representatives of SWA.

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## **Item 4 – Advisory Business**

SWA is owned by Alpine Woods, L.P. and has been providing advisory services since October, 1999.

As of December 31, 2013, SWA managed approximately \$741.2 MM on a discretionary basis.

SWA provides continuous portfolio management services to clients regarding investment of the client funds, based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, SWA develops a client's personal investment goals and creates and manages each portfolio based on these goals. SWA will manage advisory accounts on a discretionary basis only, but at the request of the client may also provide recommendations to clients with respect to assets that are not necessarily managed by SWA.

Although SWA may utilize equity and other securities in client portfolios, the firm frequently utilizes open- and closed-end mutual funds managed by an affiliated investment adviser, Alpine Woods Capital Investors, LLC ("AWCI") in its management of accounts. While SWA is theoretically conflicted in its selection of AWCI-managed mutual funds for client accounts, SWA will only utilize these affiliated mutual funds when it believes that they are suitable for the needs of the clients. Furthermore, as discussed below, SWA waives its management fee for client assets invested in affiliated mutual funds, and as such SWA believes that the conflicts of interest are minimized.

If suitable for a client, and the client meets minimum investment requirements for investment, SWA may also recommend that certain clients invest in unregistered pooled investment vehicles ("Private Funds"), also managed by its affiliate, AWCI. However, subscription into these Private Funds must be made by the client.

## **Item 5 – Fees and Compensation**

SWA charges clients a fee that is calculated and payable quarterly in arrears, and is typically deducted from a client's custodial account after receiving the Client's express written agreement to the same. Generally, the fee is computed at the annual percentage rates of 1.00% of the value of equity and cash equivalent investments and 0.50% of the value of fixed income investments, applied to the value of the assets of the account determined as of the end of each calendar quarter. However, certain SWA client accounts may be charged a blended rate of 0.75% for overall investment management irrespective of

whether they are equity or fixed income investments. Fees are appropriately adjusted or prorated for accounts established or terminated during a quarter, or if assets are contributed or withdrawn from an account during a quarter. SWA, however, waives any portion of its advisory fees attributable to a client's investment in one or more of the open- or closed-end mutual funds, or Private Funds, managed by its affiliate, AWCI. Additionally, SWA does not charge a fee on "unsupervised assets" either held or listed in the client's custodial account, since SWA neither renders investment advice nor exercises investment discretion regarding such assets.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 5 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

All fees paid to SWA for portfolio management services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These mutual fund fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, certain of the funds utilized in SWA client accounts may also charge platform fees, which are payments made pursuant to agreements between the funds and financial intermediaries for services such as networking or sub-transfer agency that are generally based on either (1) a percentage of the average daily net assets of a fund's shareholders serviced by such financial intermediaries, or (2) the number of a fund's shareholders serviced by such financial intermediaries. Any payments made pursuant to such an agreement are in addition to, rather than in lieu of, distribution or shareholder services fees the financial intermediary may also be receiving pursuant to agreements with the fund's distributor. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of SWA. In that case, the client would not receive the services provided by SWA which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by SWA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. As stated above, SWA waives its advisory fee for any client's assets that are invested in a mutual fund managed by its advisory affiliate, AWCI.

SWA may recommend investment by client accounts in Private Funds managed by its affiliate, AWCI. Each Private Fund provides for the payment of performance compensation to its general partner ("GP"), which is an SWA affiliated entity. This incentive fee is disclosed to investors in the relevant offering documents, but is generally equal to 15% of each investor's excess net profits, if any (as that term is defined in the Private Fund's

partnership agreement). Any such performance compensation will comply with Section 205 of the Investment Advisers Act of 1940, as amended (“Advisers Act”) and Rule 205-3 thereunder, the performance fee rule, to the extent applicable.

SWA asks that clients provide it with written authority to directly debit advisory fees from the client’s custodial account. However, if requested by the client, SWA will invoice the client directly for advisory fees.

In addition to SWA’s advisory fee, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Such fees may include, but are not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. Please refer to Item 12 of this brochure for information regarding brokerage transactions.

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

SWA does not charge any performance-based fees (ie - fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

## **Item 7 – Types of Clients**

SWA provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, corporations and charitable organizations.

SWA typically requires an account minimum of \$5 million that is applicable to new managed accounts. This minimum may be waived for accounts associated with an existing client (e.g., other family members) and in certain other circumstances. All fees and account minimums may be negotiable and may be waived for accounts of personnel of SWA and their families.

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

SWA develops an individualized plan for each asset management client, guided by these commonly held goals:

- To earn income
- To grow wealth
- To manage portfolio risk
- To streamline financial affairs
- To transfer wealth to family and/or charity

## Investment Strategy

Recognizing that circumstances are unique, SWA's private asset management team develops long-term relationships in order to design a tailored solution for clients that can be modified over time. SWA separately manages each account, carefully considering risk/reward preferences, tax circumstances and evolving needs. When appropriate, clients are also invested in registered investment companies and Private Funds managed by SWA's affiliate, AWCI, which focus on:

- Diversified & equity oriented portfolios
- Innovative industry and specialty leaders
- Merger & acquisition potentials
- Consolidation and industry deregulations
- Value timing
- Tax sensitivity

SWA's objectives and methodologies reflect the carefully developed strategies for capital appreciation and income.

SWA's investment management strategies reflect a "top down/bottom up" fundamental approach. We balance risk and opportunities, selecting one carefully researched security at a time, always making sure that it is appropriate to a given portfolio's overall goals:

### Top Down

- Economic analysis to project probable trends of inflation, employment, productivity, cyclicalities, interest rates and financial liquidity.
- Demographic and socioeconomic analysis to project trends in capital flows and consumer spending.
- Industry analysis to find dynamic opportunities and evolving trends - and to jettison obsolete business models.

### Bottom Up

- Comparative corporate financial analysis, with a focus on profitability, balance sheet capacity, and historic returns on invested capital and equity.
- Management evaluation, looking at skills and execution.
- Search for long-term growth potential, including growth technologies, product or service innovation, corporate restructurings, and consolidations.
- "Value timing," - our search for inflection points, when corporate growth opportunities or value increases may be accelerated above recent or historical levels.
- Tax sensitivity, maximizing net after-tax returns where appropriate.

### Company Research

Through active portfolio management which includes in-depth research and due diligence, SWA evaluates and monitors company-specific business risks. SWA continually monitors business conditions and supply and demand fundamentals as well as new investments and management turnover. SWA evaluates the sources of income for a company to determine their stability as well as components of potential growth. SWA awards a significant premium for internal versus external growth.

### Portfolio Characteristics

In managing discretionary client accounts SWA utilizes various investment strategies and methods of analysis. This Item 8 contains a discussion of those methods and the risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held.

While SWA seeks to manage accounts so that risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved.

Clients should be aware that while SWA does not limit its advice to particular types of investments, mandates may be limited to certain types of securities or to the recommendation of managed funds, which may not be diversified.



SWA is an active manager of both equity and fixed-income strategies. As noted above, SWA often invests clients in the actively managed mutual funds of its affiliate, AWCI. SWA believes taking a global view is essential to understanding the macro-economic trends, changes and relationships that are key to understanding and anticipating risks in increasingly interconnected, changing economies. Original research and analysis, deepened by perspectives from experts around the world, are the cornerstones of our investment process. Our analysts travel the world and apply the knowledge gained from our in-depth evaluation of global industries, economies, demographics, macro-economics and micro-trends as we strive to translate our corporate analysis into effective investment results.

SWA manages a portfolio in a manner that it believes it will adapt to evolving conditions. Many of the affiliated funds in which SWA invests do not aspire to replicate a benchmark but rather to uncover investment opportunities that may outperform the market or potentially provide other attributes to our client's total investment mix in the form of, for example, income, global investing, specific sectors and alternative asset classes, such as real estate equities and Real Estate Investment Trusts.

SWA focuses on tax aware investing in our fixed-income portfolios. Tax sensitivity is built into our fixed-income investment process.

SWA reviews the overall business and earning potential of the company's goods and services — given world-wide macroeconomic, demographic and consumer trend environments — and determines what it believes will be the value of the company in the medium to long-term. SWA seeks to find companies that are selling at a discount to this estimated future value. Extensive research and analysis leveraging an in-depth expertise is fundamental to these projections.

Where SWA is a value buyer of stocks it looks to purchase securities of strong companies which are undervalued by the market. SWA believes that buying at depressed prices may reduce downside risks. Portfolios typically mix both large and small equity capitalization stocks which usually trade at low price to book, price to sales, and Price to Earnings measurements

- Price to Book (P/B) Ratio compares a stock's market value to the value of total assets less total liabilities.
- Price to Sales (P/S) Ratio is a tool for calculating a stock's valuation relative to other companies, calculated by dividing a stock's current price by its revenue per share.

- Price to Earnings (P/E) Ratio is the ratio or multiple calculated by dividing the price per share (P) by the earnings per share (E). A simple measure for comparing the relative valuation of a stock.

## Portfolio Diversification

SWA varies the investment mix among aggressive, moderate and conservative opportunities based on evaluations of both business and equity market cycles.

## RISK OF LOSS:

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments, including mutual funds, present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

In some situations, if permitted by client investment mandate and approved by the client, SWA may utilize margin. Overall, the use of margin, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing margin is inherently more speculative, with a greater potential for losses, than a program that does not utilize margin.

The mutual funds (predominantly those managed by its affiliate, AWC) and ETFs utilized by SWA may include funds invested in domestic and international equities, including real estate investment trusts (REITs) and other real estate equities, dividend paying equities, sector-based equities, and corporate and government fixed income securities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in SWA's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds and emerging markets funds. Conservative fixed income securities have lower risk of loss of principal,

but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by SWA may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in mutual fund prospectuses within each applicable sector.

SWA may utilize a strategy that may at times involve high levels of trading activity, such as a dividend rotation. High levels of trading activity increase brokerage and other transaction costs, and as a result can affect the investment performance of any account.

SWA may invest from time to time, directly or indirectly via client investment in its affiliated funds, in options and other derivative instruments, including buying and writing puts and calls on some of the securities held by client accounts in an attempt to supplement income derived from those securities. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. If a put or call option purchased on behalf of a client account by SWA were permitted to expire without being sold or exercised, the client account would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in

the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the SWA on behalf of the client account at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the SWA on behalf of the client account at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the client account of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

## **Item 9 – Disciplinary Information**

Without admitting or denying the findings, on 2/21/11 AWCI and its President, Samuel Lieber (who is also the President of SWA), submitted Offers of Settlement and agreed to entry of an Order by the SEC instituting administrative and cease-and-desist proceedings pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 203(e) and (k) of the Advisers Act and Sections 9(b) and (f) of the Investment Company Act (“Investment Company Act”) against AWCI and Sections 203(f) and (k) of the Advisers Act

and Section 9(b) of the Investment Company Act against Samuel A. Lieber, Chief Executive Officer of AWCI.

The Order alleged that:

- ◆ Between 2003 and 2007, AWCI launched a number of new funds and experienced significant growth in assets under management. As a result of the growth in AWCI's commission-generating business, AWCI had greater opportunity to obtain shares in initial public offerings ("IPOs"). AWCI was the investment adviser for multiple funds and could determine to which funds IPO shares should be allocated. AWCI's compliance policies and procedures mandated that IPO allocations among clients be made "fairly and equitably" according to a "specific and consistent basis... ." Similar disclosures contained within AWCI's Form ADV during 2006 and 2007 advised investors that trade allocations would be made according to the "risk tolerance and account objective guidelines of its clients" and in a manner that was "fair and equitable, consistent with the requirements of the Investment Advisers Act of 1940 and the Investment Company Act of 1940." In practice, AWCI's portfolio managers were expected to make themselves aware of upcoming IPOs, decide whether or not to participate and communicate initial indications of interest to AWCI's traders. Those initial indications of interest were not well documented; documentation that did exist was generally not retained. Although the allocation of IPO shares was typically made *pro rata* according to the initial indications of interest, in at least two instances AWCI's CEO, Samuel Lieber, made a decision to allocate IPO shares in a way that was not consistent with *pro rata* allocation.
- ◆ As a result of the IPO allocation practices at AWCI, during the period February 1, 2006 through January 31, 2008 (the "Relevant Period"), AWCI's two smallest, most recently-opened funds, the Financial Services and Innovators funds (together, the "Relevant Funds"), participated in a disproportionate number of IPOs compared to AWCI's other existing funds (going strictly by size and assuming the other funds had expressed interest in participating in the IPOs). After receiving IPO shares, the Relevant Funds, in most instances, sold some or all of the shares within 3 days after their initial purchase. IPO trading by the Relevant Funds materially contributed to the positive performance of the Relevant Funds during AWCI's fiscal year ending October 31, 2007 ("FY 2007"). AWCI nonetheless failed to disclose to the Board of Trustees for the AWCI Series Trust or to fund investors the extent to which the Relevant Funds invested in IPOs and the material impact IPO trading had on the performance of the Relevant Funds. In addition, AWCI failed to implement written

policies and procedures reasonably designed to prevent violations of the Advisers Act, including policies regarding the allocation of IPO shares. Finally, AWCI committed books and records violations by failing to make and keep true and accurate order memoranda in connection with the purchase of IPOs.

The SEC found that AWCI violated section 17(a)(3) of the Securities Act of 1933, sections 204, 206(2) and (4) of the Advisers Act, Rules 204-2(a)(3) and 206(4)-8 thereunder and section 34(b) under the Investment Company Act and Rule 31a-(b)(5) thereunder. The SEC also found that AWCI violated and Mr. Lieber aided and abetted and caused AWCI violations of 206(4)-7 under section 206(4) of the Investment Advisers Act. In accepting the Order, AWCI and Samuel Lieber consented to payment of civil money penalties in the amounts of \$650,000 and \$65,000 respectively, and to cease and desist from committing or causing any violations of the respective sections (as listed above) of the Securities Act, the Advisers Act and the Investment Company Act and AWCI consented to a censure.

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

SWA is affiliated through both ownership and control with AWCI. AWCI is the management company and investment adviser to a number of registered investment companies and privately offered investment funds exempt from registration under Section 3(c)(1) of the Investment Company Act (the "Private Funds"). Stephen A. Lieber and Samuel A. Lieber are managing members of the Private Funds' general partner, Alpine Woods Advisors, LLC (the "GP"). As discussed under Item 5, the GP, as general partner of the Private Funds, is entitled to performance-based fees under certain circumstances.

As discussed above, SWA will typically utilize a number of the mutual funds managed by its affiliate, AWCI, in its management of SWA client accounts. Similarly, SWA clients may be recommended to invest in one or more of the Private Funds managed by AWCI, although SWA does not utilize its discretion to invest clients in the Private Funds.

In addition, certain supervised persons of SWA are also registered representatives of Quasar Distributors, LLC ("Quasar"), an unaffiliated broker dealer that also acts as a distributor to the RICs managed by AWCI. SWA does not place RIC or other client trades with Quasar, and none of these individuals receive any brokerage compensation related to AWCI or SWA clients. As such, any potential conflict inherent in this relationship has been mitigated.

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

### Code of Ethics

SWA has adopted a Code of Ethics. All personnel of the Adviser are expected to adhere to as well as comply with all of the specific provisions of the Code that are applicable to them. The Code of Ethics is in compliance with Section 204A and Rule 204A-1 under the Advisors Act. The purpose of the Code is to establish procedures for employees of the Adviser to report their personal securities transactions and holdings, which are designed to prevent and detect potential conflicts of interest with Adviser's clients. SWA's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth SWA's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with SWA may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of SWA that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, SWA requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm's principal. SWA also requires such access persons to receive approval from the Compliance Department prior to investing in any IPO's or private placements (limited offerings). In addition, all supervised persons of SWA are required to pre-clear transactions in reportable securities.

SWA's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. SWA requires that all individuals 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 discipline. SWA will provide a copy of its Code of Ethics to any client or prospective client upon written request to Kenneth Corrado, SWA's Chief Compliance Officer, at the firm's principal office address.

Gifts and Sponsorships: SWA maintains internal policies which prohibit employees from accepting or giving gifts in an attempt to influence advisory activities. SWA's policies are available upon request.

### Participation in Client Transactions and Personal Trading

SWA places all orders to buy and sell securities for client accounts. SWA and its personnel and its affiliates may from time to time purchase or sell the same securities that are purchased or sold for the accounts of clients. In any situation where a conflict exists between the interests of SWA and its personnel and its affiliates on the one hand and clients, on the other hand, the interests of clients are given priority. Specifically, on any day when orders have been placed to buy or sell a particular security for one or more client accounts, SWA and its personnel (including members of their immediate families) are prohibited from purchasing or selling the same security until orders placed for clients have been effected unless the order for SWA or its personnel has been bunched with the orders for client accounts in order, in SWA's opinion, to achieve a better price in the marketplace than could have been obtained by executing separate orders. If SWA places orders simultaneously for client accounts and the accounts of the firm, its principals or families of its principals, and more favorable execution prices are received by affiliated accounts, then the employee is required to disgorge any difference in price between their execution and the client's. The disgorgement is typically donated either directly or indirectly to charity.

### Inconsistent Investment Positions and Timing of Competing Transactions

From time to time, SWA may take an investment position or action for one or more clients that may be different from, or inconsistent with, an action or position taken for one or more other clients having similar or differing investment objectives. These positions and actions may adversely impact, or in some instances may benefit, one or more affected clients. For example, SWA may buy a security for one client and may buy a security for another client that may establish a short position in that same security. The subsequent short sale may result in a decrease in the price of the security which the first client holds. Conversely, SWA may establish a short position in a security for one client and may buy that same security for a different client. The subsequent purchase may result in an increase of the price of the underlying position in the short sale exposure to a client's detriment. Similarly, transactions in investments by one or more clients and SWA may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of another client, particularly, but not limited to, in small capitalization, emerging market, or less liquid strategies. On the other hand, potential conflicts may also arise because portfolio decisions regarding one client may benefit other clients. For example, the sale of a long position or establishment of a short position for one client may decrease the price of the same security sold short by (and therefore benefit) another client, and the purchase of a security or



covering of a short position in a security for one client may increase the price of the same security held by (and therefore benefit) another client.

## **Item 12 – Brokerage Practices**

As SWA does not have the discretion to choose the broker dealer or the commission rates to be paid, clients must direct the use of a particular broker dealer. SWA recommends and requests that clients direct SWA to place all trades through the Royal Bank of Canada (“RBC”). The factors considered by SWA when making this recommendation are RBC's ability to provide professional services, SWA's experience with RBC, its reputation, and RBC's quality of execution services and costs of such services, among other factors. While SWA has a reasonable belief that RBC is able to obtain best execution and competitive prices, SWA will not be independently seeking best execution price capability through other broker dealers. Not all advisers require their clients to direct brokerage.

Commissions will be charged by RBC to clients in accordance with a schedule of commissions that has been negotiated by SWA on behalf of its clients. In rare situations, SWA may also accept a client account where the client has directed the use of a broker dealer other than RBC. However, SWA reserves the right to refuse management of a client account where the client has directed the use of a broker other than RBC.

In directing the use of RBC or a different directed broker, it should be understood that SWA will not have authority to negotiate commissions among various brokers on a trade-by-trade basis or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients. This practice may potentially cost SWA clients more money.

When client(s) of SWA's affiliated adviser, AWCI, are trading the same security in the same direction on the same day as SWA client(s), the AWCI client orders will generally be executed and allocated prior to executing SWA clients' orders. This practice may or may not be beneficial to SWA clients depending on the execution prices received by SWA clients on the trade orders.

### **Trade Allocation and Aggregation**

SWA seeks to allocate transactions in securities among client accounts on an equitable basis considering all relevant factors. There is no requirement, however, that the same securities be purchased and sold for all accounts or that the same relative amount of a

particular security be purchased or sold for each account. Due to the customized nature of the portfolio management services offered by SWA, SWA reviews each account on an individualized basis prior to determining whether or not to purchase or sell a specific security in that account. As such, SWA will frequently trade one or a small number of accounts prior to trading additional accounts. While SWA reviews accounts to determine which accounts are to be traded in which order, clients should be aware that there is a possibility that their accounts could be traded towards the end of the trade implementation process, which can take a number of days to complete, and this could negatively (or positively) affect the performance in an account.

SWA, in its own discretion, may decide to average price all trades in the same individual security, in the same direction (buy or sell) on the same trade date, whether in one or multiple blocks, across more than one client account custodied at the same financial institution ("Average Price"). SWA believes that allocating trades to clients with an Average Price is fair and equitable to those clients. However, clients who receive the Average Price may realize a positive or negative effect on the client's account performance compared to executing a client's transaction separately on the same day at a different time or on a different trade date. SWA may decide, in its own discretion, not to Average Price when taking into consideration various factors including, but not limited to, the respective client's tax considerations, estate planning and gifting schedules. When doing so, clients who receive the Average Price may realize a greater or lesser price than the clients who do not receive the Average Price and vice-versa. In either situation, SWA strives to exercise its discretion in the best interests of its clients.

Securities bought and sold in block transactions are normally allocated pro-rata to the participating client accounts in proportion to the size of the orders placed for each account to the extent practicable.

SWA may increase or decrease the amount of securities allocated to an account if necessary to avoid odd-lots or a small number of shares in a particular security (e.g. less than 100 shares). In such event, the non-participating client account(s) in the block trade order will be placed on a rotation list maintained by the trading desk to ensure there is an objective, systematic approach, when allocating trades to clients in a fair and equitable manner over time. Notwithstanding the above, if SWA is unable to purchase or sell a sufficient amount of a security to fill all client orders on a particular day, the shares purchased or sold will be allocated among participating accounts pro-rata or in another manner determined in good faith by SWA to be fair and equitable to clients.

In the event that AWC funds and SWA accounts enter an order at the same time, the funds will take precedence on market orders and those orders must be closed out before SWA

accounts are traded. However, if the fund trade has special instructions, such as a limit order, that isn't being acted upon at the time the SWA trades are submitted, the SWA accounts would be traded.

SWA does not allocate participation in initial public offerings ("IPOs") of securities to client accounts. Investment personnel and Affiliated Accounts of SWA can receive allocations of IPOs only if they are in compliance with SWA's Code of Ethics.

### Trade Errors

In accordance with SWA's Errors policy, any errors that affect a SWA client account must be resolved promptly and in the best interest of the client. As such, in the event of a trade error that is the responsibility of SWA (i.e., caused by SWA and not the custodian or another third-party), the trade error may be journaled to SWA's error account provided that it is prior to the trade's settlement date. All gains and losses will be netted in the error account. On an annual basis, if the total net amount represents a gain to SWA, the amount of the net gain will be donated to a charity. Trade errors which are not journaled to SWA's error account (e.g. errors post the trade's settlement date) will be corrected in the client's account and the client will retain any gains resulting from the trade error and SWA will make clients whole for any account loss caused by a trade error.

## **Item 13 – Review of Accounts**

### **Reviews:**

Each client account is reviewed on a monthly basis by the Senior Portfolio Manager or the Associate Portfolio Manager. This review includes an evaluation of account performance, account composition, and consistency with investment goals and restrictions, if any, placed on the account by the client.

On a daily basis, all holdings and transactions are reviewed by the Senior Portfolio Manager and/or the Associate Portfolio Manager. The daily review is conducted at a higher level than the monthly review and is primarily concerned with analyzing cash balances. This ensures that investable cash is properly identified as such, while cash not earmarked for investment is held in a liquid asset fund. The daily review by the Senior Portfolio Manager and/or the Associate Portfolio Manager includes discussion with SWA's other investment professionals concerning major market and economic developments and their potential effects on the securities held in client accounts.

**Reports:**

Transaction confirmations and monthly statements are sent to clients by the broker(s) at which their accounts are maintained. On a quarterly basis, SWA provides clients with an evaluation of the investment performance of their accounts.

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

SWA has no information applicable to this Item.

**Item 15 – Custody**

SWA does not maintain custody of client funds or securities. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SWA urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Any concerns, discrepancies should be immediately reported to the Chief Compliance Officer, Kenneth Corrado. Please note that our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

As discussed above, SWA may on occasion recommend a client invest in one of the Private Funds managed by its affiliate, AWCI. AWCI is considered as having custody of these client assets. Pursuant to Rule 206(4)-2 under the Investment Advisers Act of 1940, AWCI maintains compliance by ensuring that:

- Each Private Fund is audited on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules.
- AWCI distributes audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or

other beneficial owners) within 120 days of the end of its fiscal year of the applicable Private Fund.

## **Item 16 – Investment Discretion**

For all advisory clients, SWA has the authority to determine the securities, and the amounts of such securities, to be bought and sold for client accounts (excluding “unsupervised assets”). SWA does not, however, have the discretion to choose the broker dealer or the commission rates to be paid for SWA client transactions.

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

Per the investment advisory agreement signed with each client, SWA does not vote proxies. Clients are responsible for voting all proxies associated with their accounts.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the investment adviser’s financial condition. SWA 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.

## **Privacy Regulations**

SWA must comply with SEC Regulation S-P (or other applicable regulations), which requires registered advisers to adopt policies and procedures to protect the “nonpublic personal information” of natural person consumers and customers and to disclose to such persons policies and procedures for protecting that information. Nonpublic personal information includes nonpublic “personally identifiable financial information” plus any list, description or grouping of customers that is derived from nonpublic personally identifiable financial information. Such information may include personal financial and account

information, information relating to services performed for or transactions entered into on behalf of clients, advice provided by SWA to clients, and data or analyses derived from such nonpublic personal information. SWA's policies are available upon request.